FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Mormon couple flew to Canada

Joyce McKinney, 27, and Keith May, 24, her co-defendant in the Mormon kidnap case, flew to Canada from the Irish Republic's Shannon airport last Wednesday, travelling under assumed names and posing as deaf mutes, it was learned yesterday.

But it was only on Saturday that an alert was given for the pair who had last reported on Wednesday morning to London's West Hendon police under their bail condition.

Members of the Air Canada crew identified the couple for police. They had apparently arrived at Shannon three hours earlier on a British Airways flight.

Israel planning more settlements

Mr. Mordechai Zipori, Israeli Deputy Defence Minister, said yesterday that more Jewish settlements would be established in the occupied West Bank of the Jordan with Government support. This had been made clear to the U.S. and Egypt. Meanwhile, Dr. Kurt Waldheim, UN secretary-general, endeavoured to persuade Israel to speed-up troop withdrawals from southern Lebanon. Middle East, Page 3

Parties close ranks on Moro

As the search for Sig. Aldo Moro, the kidnapped former Italian Premier, was extended to the Mediterranean island of Elba, Italian parties closed ranks and agreed there could be no political deals with terrorists. At the Turin trial of 15 urban guerilla leaders, the founder of Italy's Red Brigades shouted that the death sentence on Moro was a condemnation of the nation's ruling class. Page 2. Near Kiel, West Germany, kidnappers seized Prince Moritz of Hessen, 51, but he was freed when they ran into a police trap.

Enlarging EEC

The Common Market should not prevaricate over negotiations for the entry of Greece, Spain, and Portugal, even though enlargement will require a host of changes in the Community's political, economic and institutional make-up, a Lords Select Committee on the European communities reports. Page 8

Neutron claims

France is working on plans to develop and build a neutron bomb, French officials said in Paris, adding that a decision on production was still a long way off. Mr. Harold Brown, U.S. Defence Secretary, claimed that NATO members supported President Carter's decision to defer production of the bomb. Page 2

Schmidt visit

Chancellor Helmut Schmidt of West Germany is to visit Britain for talks with Mr. James Callaghan, Prime Minister, on Sunday and Monday. He will be accompanied by Dr. Hans-Dietrich Genscher, Foreign Minister and other Ministers. Page 2

Exit smallpox

No smallpox cases have been reported anywhere in the world this year, Dr. H. Mehler, director-general of the World Health Organisation, said in Nairobi.

Briefly . . .

The BBC is to consider switching the broadcasting of Parliament from Medium Wave to VHF because of public reaction.

Mr. Hugh Archibald Campbell, a security officer of Banbury, Oxfordshire, was remanded in custody for seven days at Banbury charged with the theft of £103,514 from Securicor.

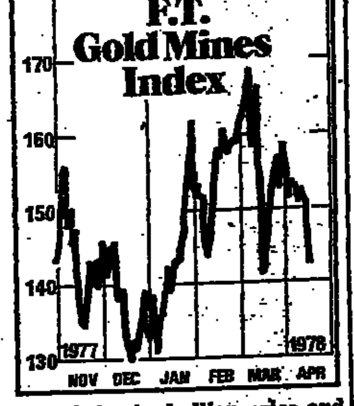
Los Angeles police arrested a man alleged to have threatened to kill President Carter and Governor Brown of California.

BUSINESS

Wall St up 21 in record trading

● WALL STREET advanced rapidly in early trading and the Dow Jones industrial average rose 21.40 by 2 p.m. to 816.53, in record volume of business.

● EQUITIES steadied on bear closing, and the FT Ordinary index closed 0.7 down at 446.7. Gold shares responded to the setback in the bullion price and the Gold Mines index fell 4.7 to 142.3.



● GILTS recovered initial losses to close with gains of ⅛. The Government Securities index closed 0.23 up at 71.73.

● STERLING fell 50 points to $1.8515, its trade-weighted index unchanged at 61.7. The dollar's depreciation widened to 5.69 per cent. (5.63).

● GOLD fell $4 to $174¼.

● KORF-STAHL, the West German steel and tool manufacturer, has been named as a possible purchaser of BSC's Glengarnock steelworks in Scotland, due for closure under the new BSC strategy. Back Page

● JAPAN has registered a record $14.13bn. surplus on current account during fiscal 1977. Back Page.

● EEC has decided to postpone bi-lateral trade talks with Australia until June, in the face of threats by Australia to take reprisals against EEC exports unless the projected talks produce results. Page 4 and Back Page

● ROYAL INSURANCE chairman has warned of further increases ahead in car insurance premiums following a severe setback in profitability last year. Page 6

● BRITISH LEYLAND director of finance, Mr. Gerry Wright, has resigned, the fourth main Board member to do so since the appointment of Mr. Michael Edwardes as chairman last autumn. Page 6

COMPANIES

● BLACKWOOD HODGE pretax profit advanced 31 per cent. to £16.63m. (£12.71m.) in 1977, on turnover of £282.27m. (£249.96m.) Page 23

● ROYAL DUTCH/SHELL has warned shareholders that currency movements may have cost the company between £200m. and £300m. in the first quarter. Back Page

● SHELL CHEMICALS U.K. reports pre-tax profits for 1977 of £5.7m. almost half the 1976 level of £10.8m. on sales of £331m., following deterioration in trading during the second half. Page 6

● MORGAN GRENFELL aims to raise £8.2m. for continued expansion by a rights issue, of which the greater part will be provided by the group's two main shareholders J. P. Morgan Overseas Capital and Willis Faber. Back Page

● COMMERCIAL UNION's proposed £100,000 ex gratia payment to Mr. Gordon Dunlop, the group's chief executive who resigned last year because of policy differences, has been sharply criticised by the group's staff association. Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Atlantic Assets	34	+ 4½
Bibby (J.)	219	+ 6
Blackwood Hodge	86	+ 9
Broken Hill Prop.	600	+ 35
Brotherhood (P.)	160	+ 4
City and Foreign	66	+ 8½
Edin. Amer. Trust	109	+ 10
Fisons	333	+ 6
Hawker Siddeley	190	+ 4
Heywood Williams	88½	+ 7½
Hoveringh'm Rs. Vtg.	67	+ 3
Hulett's Crp.	125	+ 7
Johnson Cleaners	101	+ 5
London United	148	+ 8
Mills and Allen Itnl.	165	+ 8
Miln Marsters	203	+ 5
Montague Boston	50½	+ 5
Mothercare	154	+ 4
Ogilvy and Mather	£39⅞	+ 2¼
Philips' Lamps	965	+ 35
Schlumberger	£56⅛	+ 4¾
Second Alliance Tst.	176	+ 5
Sime Darby	146	+ 5
Wells Fargo	£22⅛	+ 1¾
BP	758	+ 14
Siebens (U.K.)	300	+ 24
Bougainville	107	+ 5
De Beers Dfd.	333	+ 8
Hammersley	193	+ 13
MIM Hldgs.	187	+ 9
Peko-Wallsend	470	+ 23
RTZ	196	+ 6
Tasminex	95	+ 5
Thiess Hldgs.	196	+ 14

FALLS

Abercom	100	− 10
Doornfontein	222	− 12
Durban Deep	156	− 23
East Rand Prop.	275	− 23
Harmony	300	− 26
Libanon	484	− 21

Smith 'doubtful' about merits of all-party meeting

BY MARTIN DICKSON, SALISBURY, April 17

Mr. Ian Smith said to-night that he "doubted" if his day-long talks with Dr. David Owen, the British Foreign Secretary, and Mr. Cyrus Vance, the U.S. Secretary of State, had convinced Rhodesia's governing Executive Council that there would be any benefit in holding an all-party Rhodesian conference.

Mr. Smith, chairman of the multiracial Council, said that the Anglo-American plan for an all-party meeting would be considered. But the Council has insisted that it will not go back on the "internal settlement" agreement signed here last month by Mr. Smith and three domestic nationalist leaders.

Even if the Council decided to attend a conference, its differences with the Patriotic Front, whom Mr. Vance and Dr. Owen met at the week-end, make the chance of any agreement extremely slim.

Mr. Smith said the Council would give "mature and good consideration" to the proposal. It would be "irresponsible" to give it scant consideration.

The outcome of to-day's meeting, which Dr. Owen said had been held in a "good atmosphere," seemed to have matched Anglo-American expectations—Dr. Owen and Mr. Vance had not expected any immediate acceptance of an all-party conference and had feared an outright rejection.

They are believed to have argued that Council members would lose nothing by going to a conference and that it could be a mistake for internal leaders to be seen turning their backs on the outside world.

They are also believed to have argued that if the guerilla war continued and that if the Salisbury leaders wanted to promote their agreement, the Council would be unwise to refuse to participate in a conference attempting to widen areas of agreement.

The Executive Council is thought to have pressed the merits of its agreement and to have argued that the Patriotic Front is losing guerilla followers who now believe that they have achieved their aims.

Council members are also understood to have referred disparagingly to Mr. Robert Mugabe's statement in Dar-as-Salaam that he would like to see Rhodesia became a one-party Marxist state.

Mr. Vance told a news conference that Mr. Mugabe had not said this to him, or he would have rejected the idea.

Mr. Vance and Dr. Owen left for London to-night.

After yesterday's talks in Pretoria, the Anglo-American team appears optimistic that South Africa will encourage the Executive Council to attend the conference.

However, this is unlikely to take place—if at all—for some time. The internal leaders will have to reply to the British and there may be official talks on the terms of reference for a meeting.

But time is short for the British and Americans. As the domestic black leaders find their feet in Government and as Rhodesia prepares to become Zimbabwe on December 31, reconciling the two sides is likely to prove more difficult, especially if the confrontation between the domestic black leaders and the Patriotic Front intensifies.

Mr. Vance and Dr. Owen faced several demonstrations during the day. Hundreds of supporters of the internal leaders demonstrated before to-day's talks, waving placards saying "We have our government" and "Don't impose leaders on us."

Mr. Vance's car was later pelted with eggs and tomatoes, while two white women threw silver coins at Dr. Owen's car and shouted "Judas" at him.

Such protests, and the outcome of the Anglo-American talks with the Patriotic Front, show the extent to which the Rhodesia problem has now become a power struggle among the black nationalists.

Retail spending on rising trend

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SPENDING in shops is now on a clearly rising trend after the recovery in real incomes, though sales are not yet up to boom levels.

The month-to-month movement in the volume of retail sales is still erratic. In March the index fell fractionally to 106 (1971=100, seasonally adjusted) from 106.8 in the previous month, according to the provisional estimate published by the Department of Trade yesterday.

Spending last month was higher than in January, while over the first three months of the year as a whole, the volume of sales was 1½ per cent. higher than in the fourth quarter of 1977, and 2½ per cent. higher than in the fourth quarter of 1977, and 2½ per cent. higher than in the same period a year ago.

The latest figures were described as "reasonably encouraging" yesterday by Mr. Richard Weir of the Retail Consortium, since they showed that the improvement in February had been broadly sustained.

Mr. Weir said the retail trade did not epect that a really substantial increase in volume would develop until towards the middle of the year, when the Budget tax cuts and rebates come through.

The extent of the rise in sales will depend to a large extent on the level of savings, which makes forecasting the path of personal consumption uncertain, as the Treasury recognised in its projections last week.

The first response to the recovery in real incomes last autumn was a rise in the proportion saved to near-record levels.

So the rise in living standards in the fourth quarter—5 per cent.—was matched by a much smaller rise in consumer spending.

The latest retail sales figures suggest that the savings ratio—the percentage of disposable income saved—may have fallen back slightly so far this year from the high level of 16.1 per cent. in the fourth quarter.

The official view is that the savings ratio over 1978 as a whole will be close to last year's average of 14¼ per cent. as con-

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RETAIL SALES

		Volume 1971=100 (seasonally adjusted)	Value percentage change compared with a year earlier (not seasonally adjusted)
1977	1st	103.3	+14
	2nd	102.5	+13
	3rd	104.3	+15
	4th	104.4	+13
1978	1st	105.9*	+13*
1977	Dec.	106.9	+16
1978	Jan.	104.9	+12
	Feb.	106.8	+13
	Mar.	106.0*	+14*

* provisional estimate
Source: Department of Trade

EEC co-insurance directive

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT LUXEMBOURG, April 17.

A FIRST STEP towards a common market in insurance was taken to-day. EEC Finance Ministers approved in principle a directive to remove constraints to cross frontier co-insurance business inside the Community.

The directive lays down certain uniform basic regulations which would make it easier for insurance companies in EEC countries to participate in co-insurance contracts. These are used to insure very large liabilities, such as tankers and oil rigs.

British companies stand to gain most from the directive, which opens up new EEC markets for their acknowledged expertise and substantial financial resources. In the past their participation in such business was not allowed in other EEC countries.

The directive needs final approval by Ministers at their meeting next month. There will then be a two-year delay to allow time for ratification by national Parliaments.

In co-insurance several companies combine to assume liability for a specified share of a risk. It is different from re-insurance, in which a single insurer covers a risk and then reinsures himself with one or more other companies.

The directive approved to-day was proposed by the European Commission more than four years ago, but no action was taken because of lack of enthusiasm, and even outright hostility by most EEC Governments.

The final obstacle was removed this month when France dropped a demand that companies' co-insurance liabilities be exactly matched by assets in the same currencies.

The decision has aroused hopes of further steps soon to open up the insurance market. The EEC Commission cautiously forecast that Ministers will approve a three-year-old draft directive next month allowing life insurance companies to establish themselves anywhere in the EEC.

Several differences have yet to be ironed out. An important one is the objection by Ireland to so-called "composite" companies which handle both life and non-life business. Though common in Britain, these are rare elsewhere in the EEC.

Ireland would like the two types of business completely separated. It is hoped a compromise can be reached.

German doubt on growth Page 2

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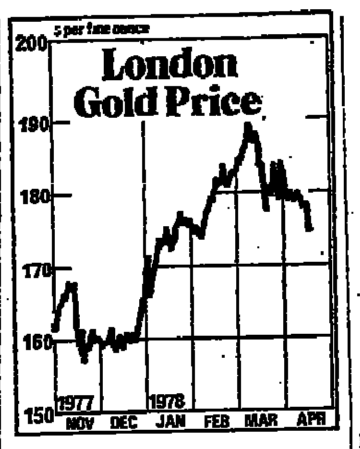

Further pressure on pound

BY MICHAEL BLANDEN

THE POUND came under further pressure in the foreign exchange markets yesterday, and the Bank of England again stepped in to support the exchange rate.

Post-Budget uncertainty continued to affect the City markets. Gilt-edged stocks recovered after last week's setback, but the money markets were confused after week-end suggestions of a possible further increase in short-term interest rates.

Uncertainty

After last week's Budget rise in the Bank of England's minimum lending rate from 6½ to 7½ per cent., the markets are still settling down. The uncertainty was reflected in rates on Treasury bills yesterday which, if maintained, would indicate a further rise in the MLR.

In the gilt-edged market, however, the mood improved and, after early falls, prices recovered with some good trading recorded in the long-dated stocks. These ended with gains of up to ⅜ and the Financial Times Government securities index rose by 0.23 to 71.73.

$ strong

Pressure on the pound reflected partly a continued recovery in the U.S. dollar. This followed earlier buying in the Far East markets, and the dollar remained srong even against the yen, in spite of the announcement of a record Japanese trade surplus.

The pound closed with a loss of 50 points at $1.8515. Its trade-weighted index against a basket of currencies was unchanged at 61.7 but early in the day it had dropped to $1.8465.

The recovery of the dollar and fears of renewed U.S. gold sales were also reflected in a drop in the price of gold which ended at $174¼ an ounce for a loss of $4.

Tories differ from Liberals over Budget

BY PHILIP RAWSTORNE

POLITICAL jostling yesterday between the Tories and Liberals over their Budget tactics suggested that the Opposition may find it difficult to unite to force the Government into further substantial tax cuts.

Each party announced its intention of tabling separate amendments to the Finance Bill next month and called on the other for support.

But Sir Geoffrey Howe, Tory shadow Chancellor, said that there was "a fundamental difference" between the Tory and Liberal views on the Budget.

There was "a strict limit" to the size of any tax cuts for which the Tories could responsibly press. "You will hear no Dutch auction from us."

Duty

Mr. John Pardoe, Liberal Economics spokesman, responded by asserting that his party did not trust the Tories on tax reductions.

In an ITN interview, he said that the Liberals were not drifting towards a pact with the Tories. Negotiations were continuing with the Government but there would be no discussions of tactics with the Tories.

Meanwhile, Scottish Nationalist MPs announced last night that they would also try to force the Government to cut the standard rate of income tax. The attempt will come in a SNP amendment to the Finance Bill giving effect to the Budget proposals, due to be published on Thursday.

The Nationalists also want to see reductions in the duty on whisky and in corporation tax, additional help for small businesses and further tax relief on children and for widows.

During the Budget debate in the Commons yesterday, Mr. Nigel Lawson, a Tory finance spokesman, said the Conservatives would press for cuts in the basic and higher rates of income tax during the committee stage of the Finance Bill. Amendments would also be tabled to reduce the tax on savings income.

If the moves were successful, it would be the Government's responsibility to meet the cost of the changes, either by cutting public spending or raising indirect taxes.

Commons procedures would prevent the Tories from seeking changes in indirect taxes. But the Government could raise £700m. by restoring Value Added Tax to a 10 per cent. rate.

"It is not our intention that there should be any increase in the Government's borrowing requirement," Mr. Lawson said.

The Liberals meet tomorrow for a discussion of tactics on the Finance Bill.

In the Commons yesterday, Mr. Pardoe indicated that their targets would also be reductions in the standard rate and higher rates of income tax.

"We have put forward a range of expenditure taxes which would enable the Government to recoup any cuts we may make in income tax," he said.

"If we succeed in reducing taxes, we shall be fully prepared to support Government amendments to replace the revenue."

If the Government's Phase Four pay talks were successful, or international action was agreed at the Bonn summit, it might not be necessary to replace all the cuts.

The manoeuvring for political initiative between the Tories and Liberals reinforced the Government's confidence in its ability to avert major changes in the Budget strategy that might force it into an early General Election.

The Finance Bill will probably be given a second reading on April 27.

Control

Some parts of the legislation will then be discussed in Standing Committee, on which the Government will have parity of numbers and effective control.

The committee stages of other sections of the Bill will be dealt with by the Commons.

Ministers concerned that defeat by the Liberals might come by accident rather than intention, yesterday repeated threats to the Tories to incrase employers' national insurance contributions to pay for any extra tax limits.

With rather more conviction following the growing signs of Labour's electoral revival, they repeated their warnings to the Liberals that major defeats would compel them to call a General Election.

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Standard train and bus fares urged for young

CONCESSIONARY bus and train fares for children should begin at the age of five and continue until they leave school, says a report.

Fare differences in the age ranges for trains, buses and tubes are unacceptable and should be standardised, say the Greater London Council and London Transport in a joint report.

A local education authority pass to show that a child was a full-time pupil would make the scheme easy to operate. The GLC transport committee will consider the report on Thursday.

EEC FINANCE MINISTERS' MEETING

Doubts over growth rate

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

LUXEMBOURG, April 17.

SERIOUS DOUBTS were cast by West Germany to-day on the EEC's ability to attain its recently-agreed objective of a 4.5 per cent. average growth rate by the middle of next year, even if governments were to take some additional measures to boost their economies.

At the same time, Britain made clear that it planned to take no further reflationary action before the seven-nation Western economic summit in Bonn next July, and that its policies after that would be strongly influenced by factors such as the behaviour of money supply and the balance of trade and payments.

Mr. Denis Healey, the U.K. Chancellor of the Exchequer, is expected to convey this message in person to M. Francois-Xavier Ortoli, the EEC Economics Commissioner, who is due to visit London later this month as part of a tour of Common Market capitals.

M. Ortoli was instructed by the EEC Finance Ministers to-day to draw up a report on the margin for further reflation available to governments of the Nine. The study is expected to be completed by May or June, and will help the EEC to decide on the contents of the economic recovery package which it hopes to present at the Bonn summit.

It is already accepted, however, that the section of the report dealing with Germany may have to be rather sketchy, since the Bonn Government has insisted that it will not consider applying any further stimulus to its economy until next month at the earliest.

While not ruling out the possibility of further reflationary measures, the German delegation at to-day's meeting also displayed marked scepticism about whether they would be sufficient to produce the overall 4.5 per cent. growth target set for the Nine by heads of EEC governments in Copenhagen 10 days ago.

According to German calculations, this average target implies a growth rate of 6 per cent. for Germany next year—a prospect dismissed by one senior Bonn official to-day as "simply an illusion." He added that attempts to achieve such a growth rate would risk re-igniting severe inflationary pressures.

Meanwhile, the Ministers agreed to-day on the broad outlines of the common EEC position to be taken at the next meeting of the interim committee of the International Monetary Fund (IMF) in Mexico City on April 29. The meeting will be chaired by Mr. Healey.

The Ministers have decided to press for an increase in the interest rate payable on Special Drawing Rights (SDRs), to make them more attractive to reserve holders. The EEC wants to raise the rate from 60 per cent. to 80 per cent. of the average interest paid on deposits in the currencies on which the SDR is based.

But the Ministers appeared less united in their support for proposals to increase SDR allocations and for the IMF's plan to establish a special "substitution account" which would permit central banks to exchange part of their dollar holdings for SDRs.

Britain has backed both proposals, but a somewhat cooler attitude has been displayed by West Germany.

Although the planned substitution account would cover only part of the \$90bn. held in official reserves, Britain believes that it offers a more practical solution to the problems of the world currency system than a move towards an EEC currency "zone," discussed at the EEC Copenhagen summit last week-end.

Such moves have been advocated by both Chancellor Helmut Schmidt and President Giscard d'Estaing.

Proposals for independent EEC currency action were not discussed to-day, although they are being examined further in EEC working groups, and are expected to feature in talks next week-end between the British Prime Minister, Mr. Callaghan, and West German Chancellor Helmut Schmidt in London.

Mr. Callaghan is expected to tell Herr Schmidt that Britain is ready to consider proposals of this kind but will insist that they must neither divert attention from the need to increase EEC growth rates, nor be seen as hostile to the U.S. He is also expected to question the value of the EEC striving for progress on the currency front while substantial differences remain between national growth and inflation rates.

Schmidt for week-end talks at Chequers

By Adrian Dicks

BONN, April 17.

CHANCELLOR HELMUT Schmidt, accompanied by at least four senior members of his coalition Cabinet, will fly to Britain on Sunday for two days of consultations with the British Government at Chequers.

The visit forms part of the regular series of bilateral meetings between groups of ministers, held at roughly six-monthly intervals, and with interest centred on the private talks between Heads of Government that generally form part of the occasion.

On the German side, it was being emphasised here to-day that there is no special sense of urgency attached to the forthcoming talks, which are understood to have been scheduled some months ago, although announcement of the date by the German Government spokesman, Herr Klaus Boelling, appears to have taken British officials slightly by surprise.

The principal point of interest in the private meeting between the U.K. Prime Minister, Mr. James Callaghan, and the Chancellor is expected to be the possibility of some new move on the part of the European Community towards a wider zone of currency stability.

Although the extent of discussion about this matter at the recent Copenhagen summit meeting of the Nine is still uncertain, Herr Schmidt is now known to be more willing than in the past to consider an arrangement that would in effect set bands for the fluctuation of currencies not able to accept the full discipline of the present European currency snake, while leaving the present snake intact.

While Germany has moved with caution on the issue, there has been no mistaking the increasing anxiety with which the Bonn Government now regards the country's external competitive position in a world of freely floating rates in which the D-mark has moved ever higher.

Attention is likely to be keenly directed to any hint that Herr Schmidt might be willing to give more open support to a system of greater stability in which sterling could find a place.

NATO 'backs neutron decision'

BY OUR FOREIGN STAFF

MR. HAROLD BROWN, the U.S. *Defence Secretary*, claimed yesterday that member governments of the NATO alliance supported President Carter's decision to defer production of the enhanced-radiation neutron bomb. Mr. Brown was speaking in London after talks with the British Goverment, following talks in Bonn last week.

But he admitted that there was more support, both in the U.S. and in the alliance generally, for the deployment of the neutron bomb than there had been previously.

Meanwhile, the U.S. would go ahead with the modernisation of its tactical nuclear weapon arsenal, by placing new warheads on Lance missiles, though without enhanced radiation characteristics. He declined to specify when or by what criteria. President Carter might decide to go ahead with neutron bomb production.

Soviet actions in deploying its own forces would be an important factor in influencing the President's decision he said.

Mr. Brown was guarded about, but unmistakably hostile, to the idea that the U.K. might sell the Harrier jump-jet to China. The question had not reached the decision stage yet, he said, but Britain would want to consider its relations with China very carefully before a decision was taken.

The Defence Secretary confirmed that Soviet aircraft had been flying in the vicinity of the U.S. from bases in Cuba, but denied that they had entered U.S. air-space or had overflown its territory. Rather, they had penetrated what he called the intercept zone round the coast, and the U.S. had sent up interceptors to meet them. The U.S. did not classify these penetrations as hostile acts.

Mr. Brown said it was extremely important that the Airborne Warning and Control System (AWACS) should be deployed by NATO. He thought the alliance would make further steps in settling its long-standing internal differences on the programme at next month's meetings of the Defence Planning Committee and of the NATO summit, and he hoped that the question would be settled "in more than principle."

● The West German Government is expecting "a calming down and a return to reality" in the debate over the neutron warhead, following a further telephone conversation last Thursday between President Jimmy Carter and Chancellor Helmut Schmidt. According to news agency reports in Bonn, Bonn sees an "atmospheric" connection between the issue and the next round of U.S.-Soviet strategic arms talks, though it does not accept that the neutron weapon should form part of the SALT agenda. However, it is waiting on the SALT meeting for any indication of whether Mr. Carter might change his decision not to put the neutron weapon into production.

Portugal opposition changes

BY OUR OWN CORRESPONDENT

LISBON, April 17.

THE EIGHT-DAY-OLD crisis in Portugal's main opposition party, the Social Democrats, was resolved to-day with an apparent victory for the party's right wing and its former leader, Dr. Francisco sa Carneiro.

Success for the Dr. sa Carneiro's faction, will probably move the party strongly to the Right and help aggrevate tensions between the ruling Socialist-Conservative alliance and the autonomous regional administrations on the Azores and Madeira. These administrations are controlled by the Social Democrats.

A week-end meeting of the party's national committee agreed to elect a temporary steering body until an extraordinary congress could be held within the next three months.

A party communique said the return of Dr. sa Carneiro as Social-Democrat president was indispensable for the strengthening of the party and appealed to him to accept the post.

This was a decisive success for the fiery lawyer whose controversial attacks on the Government and President, and the left-wing constitution, led in January to his removal and replacement by a moderate controlling committee under Prof. Antonio Sousa Franco.

The moderates had advocated selective opposition to the Government but in the latest developments they have been firmly rejected and, in fact, severely criticised by the sa Carneiro faction.

The Social Democrats draw their support from the Conservative north of Portugal and the mid-Atlantic archipelagos of Aores and Madeira. For the past four years two different separatist movements have been demanding complete independence for the possessions, but have been firmly rebufffed by the central Government.

A wave of bombings, arson and riots on the islands in recent years is attributed to the separatists as part of their campaign.

Spanish miners locked out

BY ROBERT GRAHAM

MADRID, April 17.

THE STATE-OWNED coal mining concern, Hunosa, has begun a lock-out of its 24,000 workers at Oviedo in the northern mining region of Asturias. The lockout began at the week-end, and had been preceded by two months of tense negotiations over wage and working conditions agreements for 1978.

An official of Hunosa, which is wholly owned by the state holding company INI, said that only 1,000 workers were at the mines to-day for essential safety and maintenance work. Workers' representatives travelled to Madrid to talk to officials at the Ministry of Industry in an effort to resolve the dispute.

If the lock-out continues, it could have important repercussions on fuel supplies for industry. Hunosa is responsible for about a quarter of Spain's coal production but supplies two-thirds of the steel industry's coking coal.

The management has made use of a law passed in March last year which permits a lock-out if production is seriously interrupted. The workers have been on strike since last Tuesday and there had been various earlier disruptions.

Disagreement centres round two issues. The workers are demanding that wage increase for 1978 should be across-the-board. And are also seeking to introduce what they call a "more human" approach to working schedules.

The management says that the introduction of such schemes is not justified by current productivity.

Italians close ranks against terrorism

By Dominick J. Coyle

ROME, April 17.

ITALY'S main political forces have closed ranks in the face of the threat by the Red Brigades to assassinate Sig. Aldo Moro, the former Prime Minister, who was kidnapped a month ago. All parties agree that there can be no deals with the terrorists.

An appeal by Sig. Moro's Christian Democrats for his release on humanitarian grounds has so far brought no direct public response. The authorities continue to deny the existence of any private communication setting out terms for his release.

The Vatican remains ready to act as mediator, but sources there to-day insisted that there would be no unilateral action. Any move would only be made in full consultation with the Government and the Christian Democrat Party.

The central committee of the Communist Party met here to-day and heard a detailed report on the political and security aspects of the kidnapping from Senator Paolo Bufalini, a leading member of the secretariat. He insisted that all the country's democratic forces must remain fully united in the campaign to defeat terrorism.

Senator Bufalini was at pains to avoid partisan comments against the Christian Democrats. But at one point he sought to answer earlier Christian Democrat suggestions that elements in the Communist Party had spawned extremist left-wing movements, such as the Red Brigades.

More protestations of solidarity can be expected to-morrow when the newly-elected executive of the Socialist Party meets in Rome. Sig. Bettino Craxi, the party leader, has already called privately on the family of Sig. Moro to express his support.

Since Saturday's communiqué from the Red Brigades, which announced that the former Prime Minister had been found guilty by a people's court and had been sentenced to death, the police have had dozens of telephone calls purporting to disclose the hideout where Sig. Moro is being held.

The calls have resulted in a number of police raids in various parts of the country, but without success. The authorities have still failed to produce convincing evidence of having secured any real leads.

Meanwhile, the trial of leaders of the Red Brigades resumed in Turin this morning. Sig. Renato Curcio broke his silence from the steel cage, which serves as a dock, to say: "The sentence on Moro is a good one." Sig. Curcio is standing trial with more than 40 of his supporters on a number of charges, including subversion against the State.

West German police foil kidnapping bid

By Adrian Dicks

BONN, April 17.

PROMPT ACTION by police in the north German state of Schleswig-Holstein succeeded early this morning in foiling a kidnap attempt against Prince Moritz of Hessen, who was rescued injured.

The incident, in the course of which three men were arrested, has visibly boosted police and official morale at a moment when it is depressed by the recriminations surrounding the authorities' failure to act on a tip that might have led them to the gang hiding Dr. Hanns-Martin Schleyer last September. An enquiry into that affair is still continuing.

To-day's kidnapping has been tentatively assumed to be a non-terrorist case along the lines of those which have recently taken place in France and Belgium. Prince Moritz, though descended from former German Royalty and distantly related to the British royal family, is a land-owner of no known political ambitions.

Turkey decides to restructure \$2.5bn. of foreign debts

BY METIN MUNIR

ANKARA, April 17.

structure foreign debts totalling \$2.5bn. and has moved to obtain a fresh loan of \$500-600m. from the Eurodollar market, informed sources told the Financial Times here to-day.

A total of 220 international banks, corporations and individuals with deposits in the so-called convertible Turkish lira accounts—short term financing—or involved in bankers' loans to Turkey were officially notified of the decision to-day by the Central Bank.

At the end of last week a meeting was held in Ankara on the subject between the Central Bank and six international banks which constituted a co-ordination group—Barclays Bank, Citibank, Chase Manhattan, Morgan Guaranty, Deutsche Bank and the Union Bank in Switzerland.

To-day the co-ordinating committee was expanded to embrace the Dresdner Bank of West Germany and the Swiss Bank Corporation, the sources said. The eight are Turkey's biggest creditors, their combined loans exceeding 25 per cent. of the total.

In its message to-day the Central Bank has asked the less-exposed creditors to contact the Turkish Government or members of the co-ordinating committee for detailed information about the proposed restructuring. This is believed to be intended to put at ease the minds of the smaller creditors and ensure them that they will not be left out in the cold.

Of the \$2.5bn. total, \$2bn. are deposits in the convertible currency accounts and the rest are banker's credits, the Central Bank said.

The restructuring is a consequence of Turkey's severe foreign currency famine which started early last year and quickly reached critical dimensions.

About \$400m. in the convertible accounts matured in 1977 but could not be repaid. These debts had to be rolled over, with creditors obliged to forgo interest. A further \$1bn. of debts fall due this year.

That the servicing of this debt is presently beyond Turkey's financial means is beyond doubt and the restructuring was therefore inevitable, international bankers believe.

"If anybody has a more brilliant idea, let him come out and speak," said a banker.

Exactly what form the restructuring will take is not yet certain, with both members of the Co-ordinating Committee and the Central Bank mulling over the alternatives.

The Central Bank has proposed that the \$2.5bn. be rolled over in one large loan with a seven-year term, including a three-year grace period, the sources said.

The bank has also asked the six banks to syndicate a fresh loan of \$500-600m. for the financing of the 1978 programme, again over seven years with a three-year grace period.

A senior Central Bank source said that at last week's meeting agreement was reached "in principle" on both restructuring and fresh money.

Norway's new plan takes gloomy view of economy

BY FAY GJESTER

OSLO, April 17.

A DARK picture of Norway's economic prospects over the next four years is painted by the Government's revised programme for 1978-81, published at the week-end. After enjoying an unbroken rise in living standards since the Second World War, Norwegians must face zero growth in private consumption over the next few years, the Government warns.

Public consumption will continue to rise, but far more slowly than foreseen in the first version of the four-year programme, published only a year ago. Some Government spending on roads, schools and hospitals will have to be postponed, and state aid to crisis-hit industries will have to become more selective, with only potentially successful companies likely to get help.

Only the lowest paid can be allowed an increase in real disposable income over the next few years, the Government says. Th better-off will have to accept a cut in living standards. Aid to developing countries will be maintained at 1 per cent. of the GNP, but cannot be increased above this level until Norway's economic situation has improved.

Expensive social reforms and pollution control in industry may have to be postponed, in order to keep costs under control.

The report on the revised programme was prepared before last week's breakdown in talks between the Norwegian Trades Union Congress and the Employers' Association on a spring wages settlement, and the Government's decision to submit the dispute to compulsory arbitration by an impartial wages board.

It indicates, however, that the unions can expect only meagre increases this spring. In addition, the introduction of improved sick pay benefits, due to take effect from July 1, now seems seriously threatened by the crisis. A Government decision to postpone this reform may well be included in the package of crisis measures due to be published on Friday, together with the revised national budget for 1978.

Payments problems are the reason for the drastic revision of earlier forecasts. Oil income has been delayed by accidents and hold-ups in the North Sea, earnings from shipping have been hit by the world slump, and exports have suffered from the steep rise in production costs

Swedish trade in surplus

BY WILLIAM DULLFORCE

STOCKHOLM, April 17.

AFTER A succession of alarming reports on Swedish economic trends, the Central Statistical Bureau has just published trade and consumer price figures which suggest the corner may have been turned. The figures coincide with a public opinion poll indicating that the ruling Non-Socialist coalition has recovered part of the ground lost to the Social-Democrat opposition.

Preliminary foreign trade calculations for the first quarter of 1978 show a surplus of S.Kr.1.2bn. (\$263m.) against a deficit of S.Kr.2.15bn. during the first three months of last year. The value of exports rose by 11 per cent. to S.Kr.22.6bn., while imports declined by 5 per cent. to S.Kr.21.4bn.

The increase in export income is attributed at least in part to last year's devaluation of the krona, which has made Swedish goods more competitive. The drop in imports reflects the low capacity and investment levels at which Swedish industry has been operating.

Over the five-month period from the beginning of November to the end of March, the trade balance has moved into a surplus of S.Kr.3.2bn., compared with a deficit of S.Kr.4.3bn. for the corresponding period in 1976-77. The value of exports during this period rose by 14 per cent.

Property sales are a Swiss record

Property sales in Switzerland to non-residents rose to the record figure of SwFrs.1.18bn. last year, John Wicks reports from Zurich. Applications approved by the Swiss authorities totalled 4,173. Half the sum was accounted for by purchases of apartments, mostly in tourist areas. The total area bought by non-residents was unchanged at 201 hectares. Some 74 hectares was building land, 55 hectares involved dwellings, and the remainder concerned commercial or agricultural premises.

Poland to build ships for Soviet Union

THE ADOLF Varski shipyard in Szczecin, Poland, is to build 10 ships for the Soviet Union to be delivered starting this year to the middle of 1980 according to an agreement signed in Moscow over the week-end, Our Warsaw Correspondent reports. The 10 ships, each over 6,900 dwt, are designed to carry dry cargo containers and frozen goods.

Credits for Yugoslavia

An agreement for two loans totalling \$180m. to Yugoslavia by the International Bank for Reconstruction and Development, has been signed in Washington, AP-DJ reports from Belgrade.

Quoting the Yugoslav news agency, Tanjug, the report says the first credit of \$100m. is one of the largest ever approved by the bank for Yugoslavia. It is intended for the development and modernisation of the country's railways. The second credit, \$80m., will be used for the construction of a main highway network.

900 homeless in Sicily

About 40 earth tremors struck Sicily in less than 36 hours at the week-end, according to a Reuter report from Palermo. Four elderly people died of heart attacks and a fifth was killed by a passing car as he ran into a street. Police said 900 people in villages between Messina and Palermo had been left homeless.

Pay rise rejected

A 5 per cent. pay rise negotiated for 106,000 Volkswagen employees has been rejected by the tariff commission of the West German metalworkers' union, Reuter reports from Hanover. A union official said his executive would meet later this week to decide whether to call a strike in support of its original claim for 8 per cent.

Spain expels 'spy'

Spain is to expel a Russian trade attaché for alleged espionage, Reuter reports from Madrid. Quoting the Spanish news agency EFE, Reuter says the diplomat, Yuri Ysaef has been in Madrid since last year but worked in Spain with a Soviet shipping company for five years until 1974.

More trade for Turks

Turkey's Prime Minister, Mr. Bulent Ecevit, told a press conference at the end of his visit to Yugoslavia that it had been agreed to a widen the scope of co-operation between the two countries in all fields, our Belgrade correspondent writes. A delegation would visit Ankara from Yugoslavia in about six weeks' time to discuss possibilities for enlarging economic relations. The two countries had decided to co-ordinate economic development, as well as scientific research and technology.

Banker's Prague talks

Herr Otmar Emminger, president of Deutsche Bundesbank, is making a two-day visit to Prague for talks with officials of the Czech Central Bank, AP-DJ reports from Frankfurt. Closer co-operation will be discussed, an official of the German bank told reporters.

More time to pay

France's Economy Ministry may soon consider a possible extension of the repayment period for some French steel industry debts, Reuter reports from Paris. Quoting informed sources, the agency says medium- and long-term debts are Frs.38bn. Relief would apply to Government loans, which make up about 21 per cent. of the industry's borrowing, and to bank loans and European credits which together total 35 per cent. of debts.

Extortion denied

Canary Island separatists have denied trying to extort money from European tour operators by threatening to harm holiday-makers, according to a Reuter report from Algiers. An official for the MPAIAC, the Algiers-based separatist movement said at the week-end that the organisation had sent letters to holiday firms demanding revolutionary taxes and warning of reprisals if the money was not paid. A communique issued by the separatists yesterday described the letters as fake.

Anti-nuclear protest

Danish anti-nuclear groups are planning demonstrations against a secret NATO nuclear group meeting opening in Frederikshavn, north Jutland, to-day according to a Reuter report from Copenhagen. The organisers say they will be protesting against Denmark's membership of the Western military alliance and the neutron bomb.

Fall in Swiss reserves

The Swiss national bank said its foreign exchange reserves declined by Sw.Frs.45.7m. to Sw.Frs.20.1bn. last week, AP-DJ reports from Zurich. The bank said that an outflow because of the compulsory conversion of capital exports into dollars and the liquidation of swap arrangements exceeded foreign exchange market interventions and the redemption by the U.S. of another slice of Swiss franc bonds. Gold reserves were unchanged at Sw.Frs.11.904bn. Banknotes in circulation declined by Sw.Frs.47.5m. to Sw.Frs.18.88bn.

Industrial co-operation among the most economically advanced Comecon countries, writes **Leslie Colitt** from Berlin, is often a hit-and-miss affair.

Trying to bury economic nationalism

THE ECONOMICALLY most advanced Comecon countries—East Germany, Czechoslovakia and Poland—are learning that it is often easier for their Governments to sign industrial co-operation agreements than to carry them out. Industrial co-operation and product specialisation are two of the key elements in Comecon's "complex programme of Socialist economic integration," laid down in 1971. The chief aim was to stimulate trade between the Comecon countries.

East Berlin, Prague and Warsaw saw the advantages of larger-scale and increased efficiency resulting from a linking of their economies. Both East Germany and Czechoslovakia shares common Central European industrial traditions while Poland had advanced more recently to the threshold of a modern industrial nation. Their common borders and limited area and population promised to make economic co-operation more feasible than the industrial integration with the Soviet Union, to which each of the countries was also committed.

Largely as a result of successful economic co-operation between the three countries in a number of areas, trade has expanded more rapidly between them than has trade within Comecon generally. This year, nearly 26 per cent. of trade between East Germany and Czechoslovakia is said to consist of goods produced under co-operation agreements.

In practice this usually means product specialisation rather than the production of components for a joint product.

The ethylene pipeline between Bohlen in East Germany and Zaluzi in Czechoslovakia is one example of a project that neither country could have undertaken independently. The pipeline, which provides for a flow of ethylene in both directions, for plastics production, permits plants on both sides of the border to produce on a sufficiently large scale.

In the agricultural machinery sector, East Germany and Czechoslovakia have agreed to end the duplication. Czechoslovakia, for example, builds a potato-planting machine and East Germany a potato harvesting machine. Both can be turned out in large quantities because they have two markets instead of one. A further example of product specialisation is East Germany's building of railway rolling stock for Czechoslovakia and the rest of Comecon and Czechoslovakia's monopoly of tram production within Comecon. Trams used to be made in East Germany as well, but it now buys them from Czechoslovakia.

The transport vehicle industries of both countries have benefited from the long production runs, although, it has been argued, at the cost of a loss in innovation.

Cooperation between the three, Czechoslovakia, East Germany and Poland, has often been a hit and miss affair. The collapse of one of the more ambitious co-operation projects between East Germany and Czechoslovakia illustrates how difficult it is to bury economic nationalism within Comecon.

In 1970, the East German and Czechoslovak Governments signed co-operation agreements between their two motor industries which were to have resulted in a jointly developed car to be produced in two versions by the Wartburg plant in Eisenach and the Skoda factory at Mlada Boleslaw. Skoda engines were to have powered both cars. In the following years, the two countries spent most of their time trying to avoid implementing the agreement.

The present situation is that although the written agreement has been extended to 1984, Czechoslovakia will continue to develop a 1,500 cc. engine and East Germany will deliver transmissions for a new Skoda model to succeed the present one. An East German factory to produce transmissions has to be imported from the West, and the East Germans are currently negotiating with a number of Western companies, including Citroen, Renault and GKN.

East Germany, in return, is to get a larger number of Skoda cars each year.

Even that may be progress, though, because when Czechoslovakia introduced its new Skoda model last year, East Germany was unwilling to pay the new price. As a result, exports of the Czechoslovak car to East Germany suddenly dropped to a fraction of the 26,000 cars shipped in 1976. In order to plug the gap in the domestic East German car market, where buyers already have to wait up to seven years for a car, East Germany sought to buy additional Ladas, Polski Fiats and Dacias from the Soviet Union, Poland, and Romania.

These countries, however had commitments to their own domestic consumers and to lucrative Western markets.

East Germany was told it could only get more cars if it was willing to pay in hard currency. At this point, the East Germans decided to conclude a deal with Volkswagen of West Germany, to buy 10,000 Golf cars in exchange for deliveries to VW of lignite, machinery, and car components.

East Germany and Poland are also experiencing strains in their economic co-operation. Under Comecon's special relations programme, East Germany abandoned production of several types of construction machines including cranes whose manufacture was turned over to Poland along with the plans. Now, the East Germans complain that they are unable to get any new construction machinery from Poland which is allegedly more concerned with importing technology from the West.

Poland is also accused of undermining Comecon integration in agricultural machinery and construction machinery by developing close ties with Western companies, such as Massey-Ferguson and International Harvester to build farm tractors and crawler tractors. The Poles replied by noting that a decade ago when Polish industry sought co-operation agreements with East German industry, in electronics and heavy engineering, the East Germans refused.

When Poland bought an RCA licence to produce colour TV tubes, East Germany and Hungary were asked to participate in the investment costs in return for which they would receive a share of the output. Both countries declined but now the Poles say that East Germany is suddenly eager for more co-operation with Polish industry.

The Poles, for their part, complain that the nearly 100 co-operation agreements already in effect with East Germany are not functioning well.

For their part, the Germans are having even more serious integration problems with their giant economic partner, the Soviet Union. East Germany has committed itself to a long-term programme of specialisation and co-operation with Soviet industry and currently the Soviets are pressing for closer ties with those sectors of East German industry from which they expect to profit the most.

Thus a Government agreement between Berlin and Moscow was recently signed on co-operation in micro-electronics, a field in which the East Germans are believed to have obtained valuable technology from the West. The Soviet interest in tapping East German know-how is such that German scientists and technicians doing advanced studies in the Soviet Union are frequently called on to divulge confidential information on East German research projects.

The Soviets are especially interested in integration with the East German electronics industry to assure that future technology acquired by East Germany from the West is made available to the Soviet electronics industry. This sensitive question has been the subject of a series of recent high-level meetings between the Soviet and German economics officials.

East Germans defend production

EAST BERLIN, April 17.

The directors of East Germany's research institute at the powerful industrial associations are busily defending their innovation and production records these days in the pages of the Communist Party press. They are reacting to earlier criticism of East Germany's lagging performance in exporting to the West by Herr Erich Honecker, Party Chief and President.

The Director-General of East Germany's largest petrochemical trust notes in the party newspaper Neues Deutschland that "Lubricants exported abroad must also be competitive in their packaging" as Western oil companies "decisively influence consumer attitudes by outer appearances . . . ." He adds, however, that our principles here are quite different from the practice of capitalist companies where form frequently is dominant over content and often serves to mislead the consumer."

An East German researcher, Professor Doctor Rudolf Winkler also agrees with President Honecker about the need to "advance to the front of the international field in micro-electronics," but says that there must be "clarity" about the political content of the problem of micro-electronics.

OVERSEAS NEWS

Boats still near Japan islands

TOKYO April 17.

ABOUT 140 Chinese fishing boats, some armed with machine guns, were still lying off islands claimed by Japan in the East China sea, the maritime safety agency said here to-day.

The boats, all of which left the 12-mile territorial limit of the Senkaku islands yesterday, were now between 17 and 22 miles north-west of the disputed territory, the agency said.

Last Wednesday the boats entered the territorial limit of the barren and uninhabited islands, believed to have rich undersea oil reserves, causing a diplomatic row between Tokyo and Peking. The islands, 100 miles east of Taiwan, are also claimed by China and Taiwan.

The Japanese Foreign Ministry said to-day the boats should move away altogether if the incident was accidental as Peking has said.

Hsiao Hsiand-tsin, counsellor at the Chinese embassy in Tokyo, told the Foreign Ministry yesterday the incident was accidental and had nothing to do with a proposed peace and friendship treaty between the two countries.

Japan's Chief Cabinet Secretary, Shintaro Abe, told a Press conference here the government would not resume treaty talks with Peking unless the territorial issue of the islands' was solved. High-level talks on the territorial dispute would be held soon between Peking and Tokyo, he added without elaborating.

In Peking diplomatic sources said to-day that Chinese officials there had informally told a visiting Japanese parliamentary delegation that the fishing boats were merely engaged in their annual hunt for a certain species of fish.

The sources quoted Chinese Vice-Premier Keng Piao as having told the delegation on Saturday that the government in Peking had not been involved in the incident, and officials repeated this last night at a farewell banquet given by the Japanese.

LIFE IN CHINA

Colour and curls for girls

BY K. K. SHARMA IN PEKING

"LOOK, the girls in Peking are beginning to curl their hair. This would never have been allowed during the Cultural Revolution period," said an official while interrupting a detailed explanation of why the Chinese wear depressingly identical clothes. The girl he pointed out had bobbed hair, slightly curled at the edges, and was just slightly different from the customary short hair or small pigtails and pony tails fastened by rubber bands.

Hairstyles apart, there is little that is outwardly feminine about Chinese women. Unisex has been carried to the extreme. Women wear the same blue or grey jackets and trousers sported by men, allowing no cosmetics to blemish their skins. This drab uniformity is evident universally in Peking.

Officials claim this is not regimentation. It is, they say, a tradition of the Long March when men and women wore the same uniforms to carry out their jobs more easily and this usage has remained. The same official who explained this said he had tried in vain to persuade his office colleagues to bring some colour, some sign of individualism to their clothes. His daughter, a factory worker, was married the day before and spurned his suggestion that at least this occasion demanded colour; the marriage ceremony was held with the couple wearing the same blue jackets and trousers they wore every day (it is possible they returned to work the same day).

Yet there are signs of femininity breaking out. This shows itself, curiously, in socks. Women wear their trousers about three inches above their heels and never have I seen such a profusion of colour and patterns on the couple of inches of socks visible. In Shanghai, there is a little less of the uniformity although this again takes the form of a greater variety of hairstyles rather than clothes.

Shanghai women are more pert and the Pekingese even think they are coquettish, betraying an odd puritanical streak that characterises all Chinese; to the outsider Shanghai women are no different from their counterparts elsewhere. All of them, like everyone else in China, ride bicycles (private cars are unknown) which flow like a frightening avalanche during rush hours. Bicycles are allowed to be privately owned and are the universally accepted means of transport. They are also in short supply and there is a long waiting list for models that went out of use in the West 20 or more years ago. A bicycle is a prized possession. "We have three in our family" one Chinese said with the kind of pride that someone in another country might have shown over ownership of the same number of cars.

It is easy to see that prices are fixed arbitrarily but this is also one reason for the lack of inflation; if wages are low at least they still fetch the same value in terms of goods as they did 20 years ago. How long this will continue now that China is planning to expand trade and thus be subject to world economic and price fluctuations remains to be seen.

Life is hard in China but does not seem intolerably harsh. Food and clothes are rationed through a system of coupons but there is no shortage and both are absurdly cheap by Western standards. In fact, apart from bicycle there is no necessity (and a bicycle in China is a necessity) that appears lacking. By Third World standards the Chinese live well and it is a remarkable achievement that I saw no sign at all of the abject poverty that exists in many other countries in Asia and Africa. The State may not like the Chinese to be individualists but it has taken care of their basic needs to the extent that petty crime has been virtually eliminated. (You do not lock your hotel room anywhere in China.) Wages are low, being paid on an eight-tier system in factories which makes the minimum around 35 yuan (roughly $20) a month and the maximum around three times as much.

Scientists and the skilled get a little more but the difference is negligible and it frequently happens that a highly trained engineer only earns around 20 yuan more than his factory manager. But if wages are low, so are prices while amenities are heavily subsidised. A two bedroom flat costs just two to four yuan a month while medical services, education and other welfare services are available at a nominal fee or are fully covered by the workers parent organisation. There must be few women in China who don't work (for the same pay as men) and it is an index of the employment situation that they do. Women drive tractors in fields, dig ditches, hold key official posts, drive buses and trolleys and just about anything men do (if also in the same clothes). Most factories have more women employees than men since China's large army needs more of the latter. But no-one who wants a job goes without one.

The fact that last month's fifth Peoples Congress decided on rapid mechanisation as part of the "four modernisations" is a sign not only of the leadership's desire for rapid development but also that the large population (roughly 900m, but no census has ever been held) is usefully employed—again a remarkable achievement for a third world country. But so far it is just their basic needs that have been taken care of. Few shops display goods in windows (Shanghai is again an exception) but inside there is a surprising variety.

Most are mini department stores, especially those located in small towns and communes, and short of cars and heavy engineering goods almost anything is available. Shoes cost just eight yuan, although variety is limited. Luxury goods are expensive and a television set costs 400 yuan, although an official said these will now come down in view of their education potential. It is easy to see that prices are fixed arbitrarily but this is also one reason for the lack of inflation; if wages are low at least they still fetch the same value in terms of goods as they did 20 years ago. How long this will continue now that China is planning to expand trade and thus be subject to world economic and price fluctuations remains to be seen.

Even though the late Chairman Mao's portraits are hung everywhere and his thoughts on every subject are inscribed wherever possible there are signs that the relative pragmatism and liberalisation announced at the fifth Congress is percolating, albeit slowly, down to the people. The Chinese must still conform and the inevitable denunciation of the "Gang of Four" that climaxes any discussion deprives credibility from what is probably a justified decision to "expose its machinations." Many officials confess that people are confused although there does not seem to have been any blood letting. Partly this is because of the unique form of Chinese punishment of merely "criticising" someone who does not criticise himself. This does not amount to denunciation officials hasten to explain, but is thought more effective than dismissal or imprisonment because keeping one's face is still important in China. But there are faint signs of liberalism. The Chinese continue to put up posters with impunity and a recent one criticised a politburo member and was read by crowds in Pekin's main square. And then one must not forget that Chinese girls are beginning to curl their hair.

Mr. Desai explains spy device

By Our Own Correspondent

NEW DELHI, April 17.

INDIA'S PRIME Minister, Mr. Moraji Desai, told Parliament here to-day that India had co-operated with the United States in the 1960s to place nuclear-powered sensors in the Himalayas to spy on China. He confirmed that one had been lost high in the snows of Nanda Devi.

Mr. Desai said two of the electronic sensing devices had been carried into the mountains to secure information about missile development—clearly in China although he did not name that country. He said one device was lost in an avalanche on Nanda Devi, 25,645 feet, in 1965. The other was returned to the U.S. in 1968 a year after being planted on another peak near the frontier.

There his been concern in India since the publication of reports in the U.S. last week that the CIA had planted plutonium-powered monitoring devices near the headwaters of the Ganges. Mr. Desai said the Government had decided to appoint a committee of scientists to study the implications for the environment and population.

Mr. Desai sympathised with what he called "just apprehensions about the possibilities of contamination of the waters in our sacred river." He assured the House that his Government shared the general concern.

The Prime Minister said that when a joint Indo-American expedition equipped with the device was approaching the summit in 1965, it was overtaken by a blizzard. Forced to retreat it had left the equipment behind, securely hidden. Subsequent searches had failed to sight the device.

In 1967 a new device was taken to the same area and was installed on a neighbouring peak but was returned to the U.S. the following year.

The Congress Party Government, under Lal Bahadur Shastri and then Mrs. Indira Gandhi, had decided on the operation in the interests of the nation. It was not a clandestine CIA job.

Vance for unscheduled Cairo visit

BY ROGER MATTHEWS

CAIRO, April 17.

Mr. Cyrus Vance, the U.S. Secretary of State, is to make an unscheduled stop at Cairo airport in the early hours of to-morrow morning in order to discuss the current state of Middle East peace efforts with Mr. Mohammed Ibrahim Kamel, Egypt's Foreign Minister.

Mr. Vance, en route to London and Moscow from southern Africa, will be having his first meeting with a top Egyptian official since President Sadat visited Washington for talks in February. Despite the failure of the Egyptian initiative to effect any significant change in Israeli policies, Mr. Sadat has again stressed in the past few days that he does not intend to abandon his efforts.

Egyptian officials stress that by giving up now they would be allowing Israel's Prime Minister, Mr. Menahem Begin, to escape from the corner in which they believe he is trapped. But at the same time they emphasise that only the U.S. can bring about the changes in Israeli attitudes which would facilitate a formal resumption of negotiations.

Mr. Sadat, as a well seasoned campaigner in Egyptian politics, must be only too well aware that after the euphoria and excitement generated by his visit to Israel the tide of disillusion is starting to set in. Therefore Mr. Kamel can be expected to emphasise to Mr. Vance to-morrow the need for the U.S. to increase pressure on Israel and to take a more positive role in achieving what is still regarded here as the possibility of a breakthrough to peace.

Ihsan Hijazi in Beirut adds: Mr. Kurt Waldheim, the UN Secretary General, held talks here to-day with Lebanese officials and guerilla leader Mr. Yasir Arafat, the PLO leader, in an attempt to stabilise the cease-fire in southern Lebanon.

Dr. Waldheim told reporters that his mission is to speed up Israeli withdrawal from the south and help the Lebanese government re-establish national authority in the region.

He repeated his intention to seek an increase in the number of the UN interim Lebanon (Unifil).

Thus far, about 2,000 UN troops are stationed south of the Litani river. They are scheduled to be increased to 4,000 by the end of this month. Dr. Waldheim is expected upon his return to New York to ask the Security Council to boost the total strength of Unifil to 6,000 or 8,000.

David Lennon writes from Tel Aviv: Israel's Government has come under attack for its attempts to clarify its position on the United Nations resolution 242. The Cabinet on Sunday seemed to say that the UN Security Council resolution 242 covers negotiations with all relevant Arab States including Jordan.

The Government had been attracting criticism particularly by the U.S. for its established view that resolution 242 does not call for Israeli withdrawal on the West Bank since previous policy statements had spoken only of 242 applying to selected Arab neighbours.

By specifying that the Security Council resolution does apply to negotiations with Israel the Cabinet seemed to be hinting that there could be room for talks about the withdrawal on the West Bank without explicitly spelling this out.

The opposition Labour Party has accused the Government of trying to solve Israel's problems by playing on words.

Criticising the Government for not expressing readiness for territorial compromise on the West Bank, the Labour Party said that such gimmicks "are no substitute for a clear and credible policy

Modest Japanese wage offer

By Our Own Correspondent

TOKYO, April 17.

THE managements of Japan's public corporations have offered an average monthly wage increase of Y6,150 or 3.8 per cent. for public sector workers at this morning's collective bargaining sessions.

The wage proposal is only half of last year's level of 7.4 per cent. The Council of Public Corporation Workers' Union (Korokyo) and the National Council of Government and Public Workers' Union (Kankoro) are demanding an average rise of 7.2 per cent. excluding a periodical and automatic wage hike of 2.2 per cent. The real pay rise under the present proposal works out at only 1.5 per cent. in real terms.

Japanese national railways (JNR) made a proposal of Y6,300 or 3.61 per cent.

Philippine rebels alert

MUSLIM rebels fighting the Filipino government have killed 43 soldiers and civilians in a bus ambush in the south of the country, the Defence Department in Manila was reported by Reuter as saying.

The attack, one of the worst in the six year guerilla war waged by Moslem separatists happened on Thursday. The bus was sprayed with gunfire at Upi 575 miles south of Manila on Mindnao island.

Hong Kong trial

THREE senior British officers and 31 Chinese members of the Hongkong police force went on trial yesterday in Hongkong in one of the British colony's biggest ever corruption cases, according to Reuter.

The three British superintendents and 31 Chinese who include four chief inspectors are charged with "conspiracy to accept bribes and acting contrary to their public duties as police officers" between 1970 and 1976.

The trial which is expected to take about four months opened with the prosecution claiming that street hawkers and vice dens had to pay thoustands of dollars in monthly "squeeze money."

Saudi explosion

FOUR people were believed killed and several others injured in a pipe explosion at a major Saudi oil installation at Abqaio, Reuter quoted oil industry sources as saying Dhahran.

Last year a fire at Abqaio disrupted Saudi oil production which resulted in a reduction of Saudi oil exports, the majority of which are loaded on tankers at the Ras Tannoura terminal north of Dharran.

Minister's resignation

EGYPT'S deputy Premier for Economic Affairs Abdel Moneim Kaissouni has submitted his resignation in a row over wage increases for civil servants, the right wing newspaper al-Ahrar reported according to agency reports from Cairo.

It said he acted because the Government had submitted to the Peoples Assembly (parliament) a draft bill on the subject without first consulting the economic affairs committee which he heads.

Australia armoured car strike

By Kenneth Randall

CANBERRA, April 17.

ARMOURED CARS crews, who have been on strike for three weeks in all Australian states except New South Wales, will hold mass meetings to-morrow to consider a "final" offer on cash allowances and working conditions.

If the offer is not accepted, the strike is likely to be made indefinite in duration and widened to other transport operations.

The strike, involving about 1,500 men, is already having a crippling effect on payroll deliveries to companies and cash transfers in the banking system. Few of those affected have been prepared to say how in any detail. But one story circulating in Melbourne last week claimed that $A13m. in banknotes had been distributed from the reserve bank vaults in a flat-top truck covered with cabbages. The reserve bank flatly denied it.

AMERICAN NEWS

Carter's team takes stock and seeks a new course

BY DAVID BELL — WASHINGTON, April 17.

PRESIDENT CARTER, most of his Cabinet and the small group of advisers on which he relies, were to-day spending a second day at the presidential retreat in Maryland, trying to chart a new course for the increasingly beleagured administration.

Criticism, not all of it fair, abounds on all sides and the two-day session is designed to enable the administration to "take stock" after its first 15 months. During this period, Mr. Carter's standing in all the main public opinion polls has plummeted. While he is still highly regarded in personal terms, the polls indicate a growing sentiment that he is incapable of, in the current phrase, "getting his act together."

The doubts would probably vanish in the face of a few tangible successes for the administration, but none are on the immediate horizon. The ratification of the Panama Canal treaty should be one, but the whole subject has become so confused that a "Yes" vote will probably have much less impact than it might have had some months ago.

Meanwhile, the polls indicate that the state of the economy is preoccupying most voters and that many of them have very little confidence in the President's handling of it. No matter that unemployment has been reduced by 2 per cent. since he took office and that the U.S. economy has continued to grow faster than most other Western countries. What worries the American people is inflation and here Mr. Carter seems to be facing real difficulties.

The events of the past week have served as a reminder of the confused way in which economic policy is being made. A week ago Mr. Michael Blumenthal, Treasury Secretary, was almost the last key official to be told that Mr. Robert Strauss, the influential trade representative, was to lead the administration's attack on inflation.

That led to reports that Mr. Blumenthal was irritated by the White House which was in turn irritated by him when he appeared to indicate that he had reservations about the wisdom of the size of the $25bn. tax cut that is a priority of the administration. Mr. Blumenthal denied the reports, and denied that he was upset by the appointment of Mr. Strauss, but the impression of confusion remained.

Public debates of this kind do nothing to strengthen the administration's hand in Congress where bad congressional liaison and the increasing independence of powerful Congressmen serve only to compound the problems.

The fate of the administration's tax package is by no means clear. The President is said to be supporting it strongly still and to argue that the tax cuts must be accompanied by the fairly modest reforms that are also proposed. But some members of the House of Representatives' Ways and Means Committee, which began work on the Bill to-day, say that most of the reforms are already dead and stand no chance of passage in an election year.

Few observers believe that the administration is yet in a position where it cannot recover its confidence fairly quickly. But the feeling has grown that without a clearer sense of priorities things will not improve and that it is time for Mr. Carter, in the words of one, "to do less and think more."

Senate votes to-day on canal

BY OUR OWN CORRESPONDENT — WASHINGTON, April 17.

THE CONFUSED debate inside the U.S. Senate about the precise wording of the second Panama Canal Treaty continued to-day as both Democratic and Republican leaders sought to ensure passage of the treaty in to-morrow's critical vote.

To-morrow's vote comes after 14 years of intermittent negotiations about the canal by four administrations. The Senate defeat of the treaty would do immeasurable harm to U.S. standing in Latin America and would also be widely interpreted as a further sign that President Carter lacks the ability to get controversial foreign policy measures through the Senate.

Many observers believe that such a defeat would greatly reduce the chances of Senate approval of a new strategic arms agreement, later this year, should one be forthcoming, and it is also more than likely that it would presage a defeat for the President in his bid to sell aircraft both to Saudi Arabia and Egypt, as well as Israel.

Sen. Robert Byrd, the Democratic leader, and Sen. Howard Baker, his Republican counterpart, said over the week-end they thought the treaty would squeak through. But Sen. Baker, echoing the Senates' profound dissatisfaction with the way in which the treaties have been handled, also noted that "there is such a fantastic array of discontent on this thing that I don't know how we are going to treat with it finally."

The Senate leadership worked through the weekend to find a form of words that will satisfy both Sen. Dennis DeConcini, who forced the amendment of the first treaty to give the U.S. broad powers to intervene to protect the canal after the year 2000, and liberals who consider this amendment insulting to Panama and who have threatened to oppose the measure if it is included.

Sen. DeConcini is sticking to his position and said last night that at least two other Senators, who voted for the first treaty, had told him they would not vote for the second if it did not include his amendment. As the first treaty was carried by a very narrow margin, these defections might be enough to defeat the measure and, in the process, hand President Carter a crushing defeat.

The treaty on which the Senate votes to-morrow concerns the relationship between the U.S. and Panama between now and 2000 when the canal is finally made over to the Panamanian Government. Sen. DeConcini and other even more conservative Senators remain adamant that the U.S.'s right to defend the canal should be clearly spelled out regardless of the effect on Panama.

Panama has protested to the U.S. about the DeConcini amendment but, perhaps heeding President Carter's warning that public comment could only inflame the situation, General Omar Torrijos, Panama's leader, has been very restrained throughout the long, rambling Senate debate which has been broadcast live in Panama, as it has here.

This tedious, incoherent debate has underlined the fact that the Panama Canal ratification process has very definitely not been the Senate's finest hour. But that is not entirely the fault of the legislators. Many of them have been under intense pressure from their constituents not to pass the treaties, and the polls still show that a majority of U.S. citizens oppose them.

At the same time, some Senators argue, with good reason, that the administration has compounded the difficulties by too readily accepting the DeConcini amendment in the first place apparently on the assumption that, with luck, it would not really be noticed and could be quietly forgotten thereafter.

Argentine military to keep power

BY ROBERT LINDLEY — BUENOS AIRES, April 17.

THE ARMED forces are to stay in power in Argentina till 1984. This was stated by an army general, one of the two or three leading spokesmen of Gen. Jorge Videla's administration at a lunch for businessmen here. The anti-Government guerillas had, he said, been "decapitated."

"The country will be astonished when it learns the number of victims there have been on both sides—of course, many more on their side than on ours. This was a true war, and if we have never said that in so many words, the reason was not to give the subversives the status of belligerents which they have been demanding abroad."

He said that the Government hopes to free or put on trial by the end of this year, all prisoners held "at the disposition of the executive power"—that is, the political prisoners.

But the General did not say that company executives are no longer in danger of being murdered or kidnapped. "If six or seven people decide to kill someone, there is no way to avoid it," he said, but assured his listeners that the "organised bands of assassins" had been dismembered. He caused considerable surprise when he said that he has no bodyguards, that he sometimes walks to Government House from his home 30 blocks away (not in uniform, of course) that his wife goes to the supermarket alone, and that his children attend school unaccompanied.

What was new to the audience was the general's statement that, "soon, very soon, almost certainly in April," the military junta will "elect" the next President unanimously and that, between now and the end of May, it will choose the Ministers of the "new government."

"There will be several changes of Ministers," he said, "and I think some civilians will be brought into the Cabinet. For a time, they will work with the present Ministers to assure continuity." The completely renewed junta will be sworn in then also.

The Economy Minister, Dr. José Martinez de Hoz, is the only civilian in the cabinet, and it is likely that he will stay on in the post. But, whether he does or not, the general declared, the policy of Dr. Martinez de Hoz will not change, "because it is the policy of the armed forces. We are convinced that it has produced desired results. There may be errors to correct, delays to remedy, but we are satisfied with what has been done up to now." So there will continue to be no easy credit, subsidies or lower taxation.

Also being studied, the general said, is a way to give the unions, the Roman Catholic Church and the armed forces a minority representation in Parliament.

Hugh O'Shaughnessy writes: Adm. Emilio Massera, commander of the Argentine Navy, held conversations with leading members of the Peronist movement in Paris last week, raising speculation that he is seeking their support for a bid for the presidency later this year in opposition to Gen. Videla.

Chilean cabinet admits three more civilians

By Hugh O'Shaughnessy

SR. SERGIO Fernández, the pro-junta lawyer selected by President Augusto Pinochet to be the new Chilean Interior Minister, has appointed three new civilians to the cabinet. The military members are now in a minority of five to 11 in the cabinet following a reshuffle last week. Gen. Raúl Benavides, formerly Interior Minister, goes to defence, while Gen. Herman Brady, formerly Defence Minister, becomes Gen. Pinochet's adviser for military affairs.

Mr. Michael Townley extradited to the U.S. this month to answer charges connected with the murder of Sr. Orlando Letelier, a former Chilean Foreign Minister, in Washington in 1976—was a member of the DINA, the Chilean secret police, according to his Chilean defence lawyer. His wife, Mariana Callejas, was also a member, and had been a former leader of the right-wing extremist organisation, Fatherland and Liberty.

Gas mystery

Brazilian health authorities and scientists are investigating the nature and cause of a mysterious gas which has caused the death of vast quantities of seals, fish, shellfish and domestic pets in the coastal area of Canta Vitoria do Palmar, far to the south in Rio Grande do Sul state, our Rio de Janeiro correspondent writes. Residents of the area have complained, in the last 10 days, of severe headaches.

Shevchenko 'has links with U.S. intelligence'

NEW YORK, April 17.

MR. ARKADI Shevchenko, the senior Soviet diplomat and an Under-Secretary-General of the UN, has been talking over a period of two years to U.S. intelligence officers, according to Time magazine.

He has offered recently to explain which U.S. agency had been deluded by Soviet agents who fed them "disinformation" prepared by the KGB, the magazine claims.

The senior Soviet official at the UN, Mr. Shevchenko is familiar with the inner workings of Kremlin policy-making, and was instrumental in organising special UN session on disarmament next month.

The first public Soviet reaction, to the decision by the diplomat to refuse to return to Moscow was to claim that Mr. Shevchenko was being held in the U.S. under "duress." The Soviet mission to the UN called him a victim of "premeditated provocation" and of a "detestable frame-up" by U.S. intelligence agents.

Mr. Shevchenko has information for sale, Time maintains. His asking price, according to one source, is about $100,000 a year. If the U.S. should reject his terms, he has the alternative of giving similar information, the magazine says, to five other nations whose secret services have been in touch with him.

Agencies

Protests in Nicaragua and El Salvador

By Our Own Correspondent — MEXICO CITY, April 17.

NICARAGUA and El Salvador have been the scenes of anti-Government protests this week.

In Nicaragua, students have occupied schools throughout the country. The action was co-ordinated with a strike by about 27,000 workers in industry, transport, construction and hospitals. The aim of the protest was to demand better prison treatment for captured left-wing Sandinist guerillas, but it fell into the pattern of the growing movement against President Anastasio Somoza.

In El Salvador, militant peasant groups have occupied four Embassies—the Venezuelan, Panamanian, Costa Rican and Swiss — and the cathedral in San Salvador, the capital, to demand political and social reforms. The peasant movement, which has the moral support of the Roman Catholic church, has been increasingly active in recent weeks. Leaders claim that they are exploited by a few wealthy landlords who have the support of the government.

The four Ambassadors concerned have lodged no official complaint, and the police have as yet made no attempt to dislodge the protesters, who include women and children.

U.S. COMPANY NEWS

GM and Ford plan note issues, Charter Company in Commonwealth Oil plan, Merrill Lynch and White Weld Page 29.

New party leader for Quebec Liberals

By Robert Gibbens in Montreal

THE RESURGENT federalist Liberal Party in Quebec has given itself a new leader in the person of Mr. Claude Ryan, 54, for the past 15 years publisher and editor-in-chief of the prestige Montreal daily newspaper, Le Devoir. For the immediate future he will concentrate on healing the wounds inflicted in the leadership battle with Mr. Raymond Garneau, who was finance minister in the cabinet of Mr. Robert Bourassa which lost the 1976 elections. He will also try to extend his party's contacts with the other provinces and prepare for the referendum planned for 1979 by the Parti Quebecois Government of Mr. Rene Levesque in 1979. The referendum is to be about the future of Quebec. Though the precise questions to be put is not yet known, the Parti Quebecois is at present preaching sovereignty in association with Canada rather than separation. Mr. Garneau's power base was in the Quebec city area, and early in the three months' campaign for the leadership, Mr. Ryan, with strong support from both provincial and federal Liberals in the Montreal area, pulled ahead. Mr. Garneau was never able to make much impact in the area of Montreal where about half of the population of Quebec live. The weight of the forces backing each candidate brought out some bitter infighting among the respective party organisations. The wounds will take some time to heal. Nearly 3,000 delegates and another 8,000 party faithful crowded the Quebec city coliseum on Saturday for the leadership convention, the largest-ever turnout. It was the high point in the party's activities since its rout on November 15, 1976, by

Mr. Claude Ryan

the Parti Quebecois. The Liberals have run from the extreme of dejection to a new self-assurance as the leadership campaign got under way.

Immediately after his victory Mr. Ryan made a strong commitment to the Federal system in Canada, making clear his hope of winning the support of English Quebeckers for a "new partnership." But it would be a mistake to conclude that all must now be sweetness and light between the Quebec Liberals and the federal Liberal Party of Mr. Pierre Elliott Trudeau, the Prime Minister.

Mr. Ryan has lived down an editorial in Le Devoir in November, 1976, in which he urged Quebeckers to vote for the Parti quebecois and its promise of good government in the province. But his relations with Mr. Trudeau are likely to remain prickly. The blend of Quebec nationalism advocated by Mr. Ryan has undergone a constant evolution over his 15 years with Le Devoir. He now urges Francophones to defend their rights strongly within confederation, while remaining Canadians.

During the campaign and at the convention both Mr. Ryan and Mr. Garneau carefully made clear that a Liberal Government would modify the French Language Charter to allow Canadians from other provinces moving to Quebec to send their children to the state school system. Both men promised to clarify the position of head offices operating in Montreal, so that national companies and international ones could conduct HQ operations in English. But both also strongly support the primacy of the French language in Quebec.

The polls have been showing a falling off of Parti Quebecois popularity, caused by the uncertainties and higher cost of the Government's newly-introduced no-fault car insurance programme, the continuing decline of the province's economy, labour strike in some industries, and the launching of a major municipal reform programme which is running into stiff opposition everywhere.

The Government has tried to switch attention from the language issue (the restrictive French Language Charter) to the economy. However, the opinion has been growing that at least some of the economic problems of high unemployment and slow growth are due to the Government's language and pro-independence policies. These problems explain the jubilant tone of the Liberal leadership convention.

There is little doubt that the pressures from the Parti Quebecois in the referendum battle, now that "sovereignty-association" is the catchword and not "independence" or "separation," will force unity on the Liberal Party in the coming months. Many Liberals claim that if Quebec had an election now, Mr. Levesque would lose to their party.

But Mr. Ryan, after the convention, said that the battle is not yet won. The first skirmish, the referendum campaign, will need every ounce of strength the party can muster.

WORLD TRADE NEWS

Air France drops options to lease Boeing 737s

BY DAVID WHITE — PARIS, April 17.

AIR FRANCE has abandoned its options on 13 Boeing 737s it had hoped to hire as an interim replacement for its ageing fleet of Caravelles.

The French state airline said it was "obliged to suspend the leasing procedure" because of a quarrel with pilots' unions over crewing levels.

The airline may renew an agreement with Boeing later. But the option cancellation may then result in a delay of as much as a year before the aircraft can go into service.

The 737s were to be delivered between April and December next year, replacing Caravelles that Air France has been using since 1959 and which have become expensive in fuel consumption. The Caravelles are manned by three pilots.

Air France's option agreement, signed with the U.S. company on February 3, expired on Saturday.

Air France made the agreement after lengthy discussions with Government authorities. The airline committed itself to buying the planned new generation of European medium-haul aircraft, expected to come on the market in 1984, provided the aircraft proved economically and technically viable. In the interim it might enter into a leasing contract with Boeing.

The pilots sought a commitment from Air France to crew the 737s with a flight engineer, pilot and co-pilot, arguing on the basis of a precedent set by United Airlines in the U.S.

Crewing with two flight officers, the pilots claimed, would mean a "significant lowering of safety standards."

The airline says the overwhelming majority of aircraft of similar capacity are crewed without a third cockpit officer. It is estimated that an extra man would cost the airline about Frs.1m. a year for each aircraft in service.

Dell warns on consumer choice

BY OUR CONSUMER AFFAIRS CORRESPONDENT

UNLESS SOME way is found to stimulate world trade and economic growth, consumer choice is bound to suffer as a result of steps taken by Government to protect their own producers, Mr. Dell, Secretary of State for Trade, said yesterday. Britain, he maintained, remained convinced of the "desirability of defeating creeping protectionism," but even this country was being forced to examine ways of protecting some of its more vulnerable industries.

Speaking in London to an audience of international retailers, who he said were crucial in determining the flow of international trade, Mr. Dell warned that in a time of economic depression most Governments felt bound to give priority in economic management to economic security instead of placing the emphasis, like retailers, on economic welfare and ensuring that consumers had the choice of the best goods from around the world.

The goal of security, he said, might press Governments in the direction of protectionism. Britain had long lived under a school of economic management dedicated to the promotion of welfare—"the road to open trading." Sometimes this had almost been to the exclusion of economic security, he claimed.

But to-day even the British hesitated. "Even we look for security for some of our own industries under pressure; even we begin to calculate if it is in fact in every respect to our advantage." It was when a nation felt itself under this sort of pressure that it began to opt to protect its producers even at the expense of the interests of consumers, he said.

Britain remained convinced of the benefits of maintaining an open world trading system where possible. This remained his objective but he said that he feared that in this area of "calculated free trade" in which countries were increasingly calculating the benefit to themselves of trading excanges, sector by sector, the open trading system would crumble unless further ways could be found of stimulating world economic growth and world trade.

Swedish export credit details

By William Dullforce — STOCKHOLM, April 17.

CREDITS OF up to Kr.10bn. ($220m.) are to be made available under the new scheme proposed by the Swedish Government to improve export credits.

The new scheme, if approved by Parliament, would mean that the state would cover the difference in interest costs between the rate charged to foreign buyers and the rate a Swedish company has to pay to finance its credit to customers.

The Ministry of Trade emphasises that the scheme, which would be operated by the Swedish Export Credit Company SEK in collaboration with the commercial banks, conforms with the Gentlemans Agreement on export credits.

The present export credit system is to be continued parallel with the new scheme at least until the end of 1981. Under this older system export concerns can obtain tax deductions for the difference between the interest rate they charge their customers and the rate they pay to finance their export credits.

The bill now before Parliament also offers a special boost for small companies in that the lower limit for credits qualifying for this treatment is reduced to Kr.300,000 ($66,000).

● The Swedish industrial giant Kemanord is going ahead with construction of a $16.2m. sodium chlorate plant at Magog, 75 miles south east of Montreal, Robert Gibbens writes. Capacity will be 18,000 metric tons yearly, nearly half of which will be exported. The product is used in bleaching pulps.

There is a federal grant of nearly $C1m. towards the costs based on the number of jobs created and the provincial Quebec Industrial Development Corporation is putting up $C1m.

Swiss deficit falls

The Swiss trade deficit for the first quarter totalled Sw.Frs. 499.8m. and was thus 15.6 per cent. smaller than for the corresponding period of 1977, John Wicks reports from Zurich. In value, exports rose by 1.8 per cent. and imports by 0.8 per cent. over the period. The slow rates of foreign-trade growth were, however due largely to a fall in average values—the result of price cuts necessitated by the rise in the Swiss Franc—of 2.7 per cent. for exports and as much as 9.2 per cent. for imports.

Fraser-Fukuda LDC talks

BY KENNETH RANDALL — CANBERRA, April 17.

IN DEEPENING pessimism about the world trade and economic outlook, the Australian Prime Minister, Mr. Malcolm Fraser, leaves for Tokyo tomorrow to try to convince his Japanese counterpart, Mr. Fukuda, that they should jointly champion Third World development.

Mr. Fraser is convinced that the developing countries are one of the keys to general recovery. He has committed Australia to their side of the Common Fund debate and has his advisers looking at the implications of a commitment on the part of the industrial nations to a growth rate target of 20 per cent. in the less developed countries fairly soon.

Mr. Fukuda quickly agreed to bilateral talks on the world situation, but there has been no indication so far of his reaction to the more specific aspects. The talks will span two days.

The mission to Japan has seemed so out of character with Mr. Fraser's criticisms of the previous Labour Government that many leading business people have been looking for other explanations. Speculation has arisen that some sort of crisis point had been reached in Australia-Japan relations, possibly in proposed cuts in Japan's iron ore and coal purchases.

In a broadcast last night Mr. Fraser said his talks with Mr. Fukuda would have nothing to do with bilateral issues, those were being handled at another level and, apparently, satisfactorily for the present.

Toyota raises U.S. prices

BY JOHN WYLES — NEW YORK, April 17.

THE FALL of the dollar against the Yen has forced Toyota, the leading importer of foreign cars into the U.S. to raise prices for the third time in six months.

The increases average 5.4 per cent. and bring the total rise in the cost of best-selling Toyota models over the past year to between 18 and 21 per cent. The apparent erosion of competitiveness has had little discernible impact on sales, last year a record 493,048.

Toyota's cheapest two-door sedan, the Corolla, now carries a suggested retail price of $3,388, $393 more than the cheapest Ford and General Motors small cars. However, the more comparable Detroit models cost $3,454 and include extras not available in the Japanese car.

● The Ford car company is negotiating to sell land it owns in Yokohama to the city, Reuter reports from Tokyo.

Austria's Comecon trade

BY PAUL LENDVAI — VIENNA, April 17.

THE DEBTS of the Comecon member states owed to Austria rose last year by 27 cent. to an all-time peak of Sch.38bn. (£1.38bn.). Bank loans accounted for Sch.7.5bn. of the Sch.8bn. increase last year.

This was revealed in a study of the Institute of Economic Research here, which estimates that total hard currency indebtedness of the Comecon countries last year was up by $8bn. on the previous level of $40bn. registered at the end of 1976.

But visible trade deficits in Comecon trade with the OECD countries fell from $8bn. in 1975 to $6.5bn. in 1976, and to $4bn. in 1977.

The institute stresses that the Comecon countries last year decided to reduce their purchases in the West in order to cut their debts.

As a result of the restrictive measures, Austrian exports to the Comecon countries were up by only 2 per cent. last year, well below the overall growth rate of exports, and Comecon's share dropped from 17.1 per cent. in 1975 to 14.4 per cent. in 1977 of Austria's aggregate exports.

The value of transit trade through Austria last year was up by Sch.5bn. to Sch.37.5bn., producing a surplus of Sch.2.5bn. which helped to reduce the country's visible trade deficit.

● Industrie Pirelli has received a $20m. contract from the Soviet Union to supply machinery for tyres production, while a group of three Japanese companies—Sumitomo Shoji, Kao Soap and JGC—has signed a Y10bn. contract to export two detergent manufacturing plants to the Soviet Union.

Tokyo considering German reactors

TOKYO, April 17.

TOKYO ELECTRIC Power Co. said it is studying possibilities of importing pressurised water reactors (PWR) from West Germany's Kraftwerk-Union.

Power industry sources said the company is showing interest in Kraftwerk-Union's reactor because it is easy to overhaul and has developed fewer troubles than reactors supplied by General Electric and Westinghouse of the U.S.

They said the company presently uses boiling water reactors (BWR) only, leaving the possibility that once a reactor develops trouble, all the other reactors of the same type might have to be shut down for check-ups.

Japan's nine electric power companies use American-made reactors but their average operational rate was only 41.8 per cent. in fiscal 1977 because of crackings of pipes, troubles in steam generators and some other difficulties.

Reuter.

Adrian Dicks writes from Bonn: Kraftwerk-Union said to-day that no sales discussions or formal talks had been held between KWU and Tokyo Electric Power. Engineers from the Japanese utility had visited the West German company, however, and had expressed enthusiasm for KWU's nuclear technology.

Faced with the longstanding market dominance by U.S. contractors in Japan, it is unlikely that KWU holds out very high hopes of a sale. Nonetheless, the Japanese engineers are understood to have been especially impressed by the higher automation, higher safety features and lower average down-time of KWU-designed reactors compared with possible alternatives.

● Kraftwerk Union, a unit of Siemens, has received an order for three turbo-generator units of 500 megawatts each from the Australian State Electricity Commission of Victoria, AP-DJ reports from Frankfurt. The contract is believed to be worth about DM120m.

Finns win $100m. Iranian forestry deal

Jaakko Pöyry of the Finnish consulting engineers have won a design contract from Iran for a $100m. forestry industry project, our Nordic Correspondent reports. They will be responsible for the planning of a sawmill, a plywood mill and a particleboard mill for Mazandaran Wood and Paper Industries at Sari in a large belt of Caspian Forest along the northern slopes of the Alborz Mountains. The Poyry company, which earlier prepared master plans for exploitation of the Caspian Forest, is also investigating the possibilities of building a pulp and paper mill to use surplus bagasse in Iran.

Meanwhile, another Finnish company, Lemminkainen Oy, has signed a FM40m. ($9.5m.) contract to supply municipal engineering installations, electrification equipment and roads for a new 1,100-unit housing area in Monrovia, Liberia.

$12m. Dubai loan

The Export Credits Guarantee Department has guaranteed a $12m. loan which Morgan Grenfell, acting on its own behalf and for Banque de l'Indochine et de Suez, has made available to Saif and Abdulla bin Ahmed Al-Ghurair, a merchant family of Dubai. This is the first time ECGD has supported a loan to a private sector borrower in the UAE. The loan will help finance a contract worth $18.6m. awarded by Ghurair and Tarmac Construction to Crown House Engineering for the supply of electrical and mechanical goods and services and other building services for a commercial centre at Dubai scheduled for completion in late 1979.

Hotel complex order

Ellis Gulf, formed recently by Ellis Mechanical Services in collaboration with a local trading organisation in Dubai, has been awarded a $26m. contract to instal mechanical and electrical services in the Galadari/Corniche hotel, apartments and shopping complex, with the Galadari business centre.

SWISS WATCHES

A market that can only get harder

BY JOHN LLOYD

SWISS WATCHMAKERS are displaying their wares at the Basle Fair, the world's largest exhibition of watches, with a cautious flourish. The flourish is because they think they are over some of the worst of their troubles. The caution is because they know the world watch market can only get more difficult.

Their troubles were severe enough. The electronic watch, developed in the early 1970s in the U.S., and marketed wherever it could get outlets, horrified the Swiss. They had developed an electronic watch but never produced them in any numbers, and were caught out by the sudden demand. Second, the early models were so unreliable and "gimmicky" that the whole image of the watch, they believe, suffered.

At the same time, from 1971 to 1977, the Swiss franc rose 2½ times against the dollar, and by lesser but still substantial amounts against other leading currencies. Since the dollar area (North and South America, the Middle East and South-East Asia) takes two-thirds of the 70m. watches Switzerland exports, the rise in the franc was disturbing.

In a grim speech before the fair's opening on Saturday, M. Henri Schaeren, president of the Swiss Exhibitors' Committee, said: "Our industry's order books immediately suffered the consequences of this further sudden bout of monetary fever. Orders were cut, slowed or fragmented, and the orderly marketing plans drawn up on the upturn experienced during the first eight months of the year (1977) have been reduced to a shambles: insecurity is once again the dominant mood."

Although the rise has slowed, there is a future difficulty, seen by Swiss watchmakers as growing rapidly. According to Dr. Peter Renggli, director of ASUAG, the largest group of watchmakers, it is protectionism.

More than 95 per cent. of Swiss watch output is exported: protectionism is thus the dirtiest of words. Dr. Renggli sees its beginnings in India and in South America, where local manufacture is getting off the ground: and fears its coming to the Middle East, where there is enough money to import the best technology.

In the short term, the Swiss are prepared to counter protectionism by joint ventures. ASUAG has factories in South America and is exploring the possibility of opening one with an Indian manufacturer in Bombay.

That marks a new departure for the industry, but its recent history has been, perforce, a series of new departures. First they have invested heavily in research, the amount rising from about £10m. in the mid-1960s to more than £30m. to-day. The Government has helped by sponsoring the new Research Foundation for Microtechnology based in Neuchâtel which co-ordinates academic and industrial research.

Secondly, they have, as M. Schaeren put it, "avoided involvement with short-lived technological fads." They have ignored LED watches, which require a button to be pressed before the digital face lights up, and make only a few models of the LCD digital watches.

They are thus betting heavily that the so-called "quartz analogue," an electronic watch with a conventional face, will become the most valuable part of the quartz-watch market. By 1985, they reckon, the world watch market, now about 270m. units, will be equally split between mechanical and quartz. Of the quartz segment, digital watches will be, they think, largely for children or will incorporate other functions, such as a calculator, radio, even television.

ASUAG executives admit that much depends on the big American electronics companies. Of the main companies, only Texas Instruments and Fairchild remain, National Semiconductor having quietly faded from the market place. The Swiss think TI and Fairchild might pull out too; but if they do not, and if they continue to market digitals, then the "quartz analogue" may have a hard time.

Finally, Swiss watchmakers believe their greatest asset is their quality image. The three main groups of companies that account for almost all Swiss production—ASUAG, SSIH, and Rolex—are co-operating in promoting Swiss watches rather than just their Swiss watches, overseas.

It will, however, be foreign competition and protectionism that will affect the structure of the Swiss watch industry more than its own preferences.

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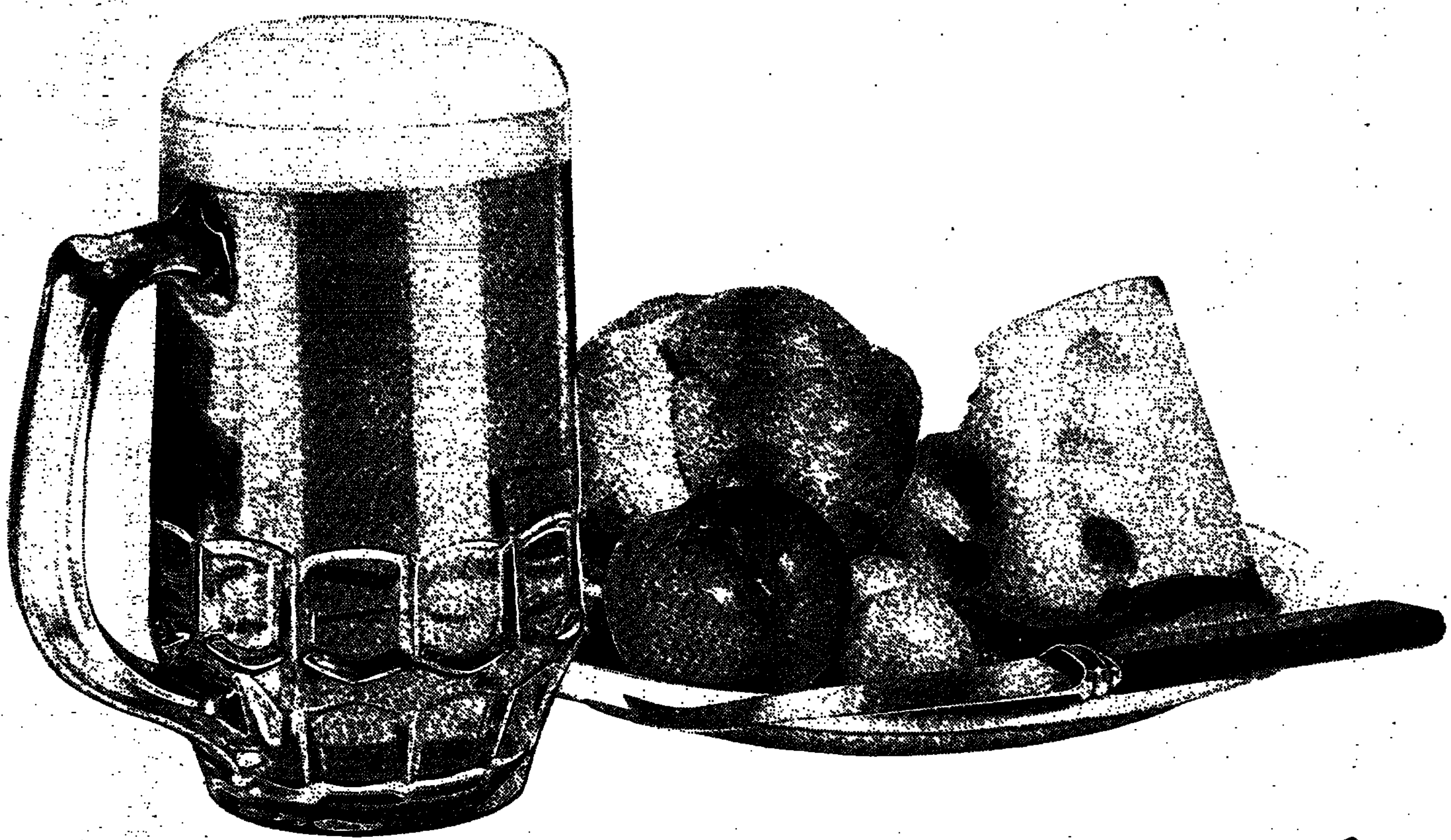


Approval sought for £250m. pipeline

By Ray Dafter, Energy Correspondent

THE SHELL/ESSO oil group is seeking Government approval for a gas pipeline between the Cormorant and Brent fields. The scheme could signal the start of a wider gas collection system, costing £250m.-£500m.

Shell and Esso, joint licencees in the North Sea, plan to carry gas produced in association with oil from their Cormorant Field to a shore terminal at St. Fergus, near Peterhead, Scotland.

A major trunk line is being constructed between Shell/Esso's Brent Field and St Fergus.

Mr. Anthony Wedgwood Benn, Energy Secretary, told the Commons yesterday that other fields to the west of Brent, might also be linked to the trunk line through a gas collection network.

Apart from Cormorant, the fields that could be tapped this way are Chevron's Ninian Field, due on stream later this year, Unocal's Heather Field, and Amoco's North Hutton Field.

Cost of pipelines for this network could exceed £70m. although compression facilities would raise the price considerably.

The consultative Gas Gathering Pipelines company, which has submitted a report on collection systems to Mr. Benn, is thought to have estimated a cost of £250m.-£500m. for gathering networks based on the Brent and Frigg trunk lines.

However, GGP's report says that it believes there is insufficient gas in new fields to justify construction of another major trunk system, costing perhaps £5bn.

The 25-mile link is in the most advanced planning stage. Shell, Esso, the Energy Department, British Gas Corporation and British National Oil Corporation have already had talks.

Shell and Esso have also started negotiations with other operators which might be involved in the West Brent gathering system.

Mr. Benn said that he had asked Shell and Esso to move as quickly as possible to make sure that no gas is wasted in these northerly fields.

Mr. Benn hinted that a Brent-based gathering system might also be extended to more northerly fields like Magnus, Murchison and Thistle.

This scheme was less urgent than the West Brent network as gas would not be available for transportation until 1982.

It is understood that British Petroleum's Magnus Field—the most northerly commercial discovery in the North Sea—is the key to this part of a gathering network.

BP is already investing £1.25bn. on extracting oil from the field and is dubious about the economics of carrying gas from the reservoir to Brent. Consequently, the group may evaluate some of the other methods for gas handling: the conversion offshore of gas into liquefied natural gas or into chemicals like methanol or ammonia.

Fourth man resigns from Leyland Board

BY STUART ALEXANDER

MR. GERRY WRIGHT, British Leyland director of finance, resigned yesterday, the latest in a long line of departures since Mr. Michael Edwardes took over as chairman last autumn.

Four of the eight main Board members immediately before his appointment have resigned. The other three were Sir Richard Dobson, Mr. Alex Park and Mr. Derek Whittaker.

Mr. Wright joined the company in 1968 as finance director of the truck and bus division. He became director of finance, planning and control in 1975.

No reason was given for his departure, which is thought to have been mutually agreed.

He will be replaced by Mr. Percy Plant, the company secretary, who will hold both posts for the time being. Front-line responsibility for finance under the reorganised Leyland management structure will continue to be held by Mr. David Andrews.

A new company secretary will be appointed.

As well as being the only main Board executive vice-chairman so far appointed—eventually there will be three—and one of only two executive members of the British Leyland main Board, Mr. Andrews was named yesterday as non-executive chairman of British Leyland International.

He was chief executive of Leyland International before the Edwardes reorganisation, and Mr. Plant has been non-executive chairman in the interim. The international division will continue to operate for some time at a reduced level, as other sections of Leyland take responsibility for their own overseas sales.

A new non-executive chairman of SP Industries, formerly Leyland Special Products, was announced yesterday.

He is Mr. Pat Lowry, Leyland's director of personnel administration. Mr. Park was the last chairman.

Managing director of SP, which takes in Aveling/Barford, Prestcold, Coventry Climax and Alvis, is Mr. David Abell. He is a colleague of Mr. Lowry on the Leyland Advisory Board, the tier immediately below main Board level. Mr. Abell will report to Mr. Edwardes on a day-to-day basis, but to Mr. Lowry as his Board chairman.

● Approaches are understood to have been made to British Leyland about possible takeover of the troubled Speke production plant on Merseyside. Leyland is in process of transferring Triumph TR7 output from there to Coventry.

None of the approaches is from overseas, and none is for continuation of vehicle production. Leyland said last night that no formal negotiations were under way.

House prices 'soaring'

By Michael Cassell, Building Correspondent

HOUSE PRICES in some parts of Britain are *still soaring*, according to the Royal Institution of Chartered Surveyors.

Prices are moving upwards, in spite of the newly-introduced restrictions on mortgage lending, because of the severe shortage of property for sale, the institution adds.

Mr. Robert Maunder-Taylor, a member of the institution's estate agency committee, said yesterday that many potential vendors were not offering their properties for sale until they had agreed terms for a proposed purchase.

Many would-be buyers were suffering long delays in obtaining mortgages, a situation which could only get worse because of the cuts by building societies.

Building upturn 'may be on way'

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

AN EARLY pointer to an upturn in U.K. construction work came yesterday with evidence that the long-running decline in the workload of architects has been stopped.

The Royal Institute of British Architects' *latest survey* suggested that the fall in new commissions had been stemmed and that the amount of work at the design and working drawings stage had improved.

The Institute, which has studied returns from nearly 2,000 private and almost 300 public architects' offices, said that the picture was now brighter than it had been for a long time.

However, new commissions last year were at their lowest ebb and the recent recovery was thus from a very low base.

In addition, optimism had been dampened, particularly in the private sector by the expectation that fewer architectural staff were likely to be required over the next six months, despite the positive trend in workloads.

The institute's figures showed that, in March, 6 per cent. more private practicies were reporting increases in the value of new commissions than were reporting decreases. At the time of the last inquiry last September, 13 per cent. more offices were indicating a lower level of orders than were reporting a higher one.

In public design offices, the March picture showed a 10 per cent. positive balance against a 12 per cent. negative balance in September.

The improvement in the level of new commissions was fairly widespread throughout the country, although the South-West suffered a decline against the national trend. In general, larger offices experienced a more substantial improvement than the smaller ones.

Some 55 per cent. of private sector offices reported less than six months work actually in the pipeline against 67 per cent. in September.

Sheffield steel given £30m. boost

By Rhys David

The British Steel Corporation is to spend £30m. within its Sheffield division on two major new developments aimed at increasing productivity and securing a bigger market share.

The corporation, ordered in the Government's white paper last month to defer a number of major schemes, will be spending £22m. at its Templeborough works in Rotherham on new billet facilities to replace ageing plant and balance its modern electric steel melting capacity.

The new plant, a six-strand billet casting machine, will reduce the 4,000-strong Templeborough Labour Force by 500 over the next few years. The planned development has been drawn up, however, with full union consultation.

In another development the BSC is to spend a further £8m. at its Stocksbridge works on new plant to produce steel strip for razor blades. The razor blade market is one which is growing and the BSC claims to have more than half of total world strip sales, with the main opposition coming from producers in Sweden and Japan.

The new plant, which will also produce stainless steel strip for other precision cutting applications such as high-grade kitchen knives, is due to be completed by 1980 and will, according to the corporation, have internationally comparable manning levels. New cold rolling, heat treatment and slitting plant will be installed under the scheme, and the layout of the works will be reorganised to achieve a more efficient production flow. Some older rolling equipment will be scrapped.

Prospects

The latest expansion in Sheffield comes on top of a £130m. expansion now nearing completion at Tinsley Park/Shepcote Lane and is evidence of the good growth prospects which the corporation sees for the division's products.

The Sheffield Division is likely to contribute around £30m. to the corporation's total deficit of more than £400m. for the last financial year but if financing of the new Tinsley Park complex is excluded, it would have been profitable.

Steel works operations are likely to show a profit for the year ended March 31 of around £10m. But this was converted into a loss by the costs of paying interest on the £130m. investment and of commissioning the new works.

This plant will be opened officially in July and will ultimately have an output of around 220,000 tonnes a year of bulk stainless steel sheet and plate, roughly double the corporation's existing capacity. Bulk stainless steelmaking is currently concentrated at the Stocksbridge works which, with the introduction of new razor strip capacity, is expected to move over increasingly to more specialised steel production.

Tractor engine men seek sit-in after short-time move

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE 7,000 WORKERS at Perkins Engines, Peterborough, are to consider an indefinite sit-in for a better pay deal, despite the company's announcement yesterday that *short-time working* would be introduced next month.

Perkins, which supplies about half world production of diesel engines for its Canadian parent company, Massey-Ferguson, is the latest to react to the international drop in demand for agricultural machinery.

Massey-Ferguson will halt tractor production at its two Coventry plants for a fortnight toward the end of this month, and lay off nearly 4,800 workers.

Ford's tractor plant at Basildon, Essex which supplies about a third of its world market, is also resorting to occasional short-time working.

Component suppliers have expressed concern at the spread of redundancies and short-time working as the market drops from the record levels of recent years.

Perkins is making only 850 to 900 engines a day, compared with a normal output of about 1,100.

The company said last night that it would cut production by four working days next month. Some 1,200 employees would be affected, and negotiations were in progress with the unions on how to phase the lay offs.

Workers will hold a mass meeting on Friday morning to decide whether to go ahead with occupation of the plant.

The company has offered a 10 per cent. annual increase, but shop stewards are pressing for parity of earnings with the Coventry plants of Massey-Ferguson.

Average earnings at Peterborough, which are on measured day work, are about £70 for a 40-hour week. In Coventry piecework earnings can be up to £10 a week higher.

A Lockheed TriStar, owned by Delta Air Lines, one of the biggest U.S. operators of this type of aircraft, at Gatwick Airport yesterday, after a non-stop proving flight from Atlanta, Georgia. Delt is due to start services between Atlanta and Gatwick on May 1. This will be the second new U.S. airline to serve the U.K. this spring. Braniff, of Texas, recently began flights between Dallas/Fort Worth and Gatwick, using Boeing 747 Jumbo jets.

Shell Chemicals blames £5m. losses on deteriorating trade

SHELL Chemicals U.K. was running at a loss in the second half of last year and the company sees little prospect of improved sales in 1978.

After making a pre-tax profit of £10.7m in the first half of 1977, *the deterioration in trading* during the second six months dragged the company down to losses of £5m. from July to December

For the year as a whole, Shell Chemicals U.K. made a pre-tax profit of £5.7m., almost half the 1976 level of £10.8m. on sales of £331m.

In stagnant trading conditions, the volume of sales last year was marginally lower than 1976, although higher prices pushed the value up by some 9 per cent.

The Shell figures confirm the pattern that has been emerging from all the big petrochemical manufacturers, who suffered from the decline in sales in the third quarter.

The hoped-for recovery towards the end of the year did not materialise and in the last three months sales drifted even lower.

Mr. Derek Crofton, Shell Chemicals' finance director, said: "The fourth quarter was dramatically worse than we had expected. This was due mainly to pressure on prices both at home and overseas and to the continuing rise in operating costs."

Slack demand in most markets meant that Shell plants were working for much of the year at only 60 to 70 per cent. of capacity.

Shell U.K. manufactures a wide range of basic petrochemicals and plastics, mainly on sites at Carrington and Stanlow on Merseyside.

In spite of decreased profits last year, it is pushing ahead with a £60m. capital expenditure programme in the U.K. this year, aimed at boosting polyethylene capacity, and at modifying its existing ethylene plant to allow greater flexibility of feedstock use.

However the biggest project planned for the U.K., a £200m. ethylene plant on Merseyside—is now unlikely to go ahead this year because of the serious European overcapacity.

Capital expenditure in the U.K. last year was £28m., part of Shell's worldwide chemicals expenditure of £636m.

The decline in U.K. profits was mirrored by the results of other parts of the Royal Dutch/Shell group's chemicals operations around the world, and sales in Europe declined marginally to £1.049bn. compared with £1.106bn. in 1976.

Defence research pact signed with Australia

FINANCIAL TIMES REPORTER

BRITAIN and Australia have signed a formal Memorandum of Understanding to continue co-operation on defence research.

This is the first time a memorandum has been signed between Britain and another nation formalising existing defence research arrangements.

Co-operation in defence science and technology has previously been on an informal basis and has included projects like the Australian designed Ikara anti-submarine weapon used by the Royal Navy and the Barra sona buoy underwater detection system which may now be produced by Plessey in Britain.

One of the latest projects is the Joint Tropical Research Unit at Innisfail.

The Ministry of Defence says the new agreement should facilitate more joint research, trials, experiments and exchange visits by scientists to discover new knowledge and incorporate it in both nations' defence systems.

Footwear industry expects £4m. aid

By Arthur Smith, Midlands Correspondent

THE GOVERNMENT is expected to announce details this week of the first £4m. instalment of a new aid scheme for the troubled footwear industry.

About 6,000 of the 75,000 workers in the industry are on short-time in the face of low home demand and cheap foreign imports.

The Government scheme is a response to a tripartite study into the future of the industry by the unions, management and the Department of Industry. The report placed the emphasis on self-help but recommended provision of £113m. of State assistance on specific projects over a three-year period.

The Government is thought to have come down in favour of a flexible scheme modelled on that applied to the clothing industry. Around £4m. will be made available in the first year but more finance could be provided should the scheme prove successful.

Recommendations

Recommendations by the tripartite study for provision of "risk" capital and financial inducements to attract senior marketing and management staff found little favour with the Department of Industry.

However the scheme is likely to take up the idea of "company total audit." Under the provisions, companies would be able to appoint independent consultants to review all operations, including management structure, marketing, financial control and production. Grants would be made available for implementation of the proposals.

State finance is also likely to be made available to promote new investment in the industry's closing rooms where shoes are made up.

The need for the Government to get approval from the European Economic Commission for the package has delayed its announcement.

Cheap imports

The U.K. is not the only European country under threat from cheap imports. From May 1, the commission is to introduce a system of automatic import licensing for all shoes coming into the Community from the 11 main supplying countries.

The measure is intended to give a speedier and fuller picture of market developments before the commission takes any other steps to help the European footwear industry.

The licensing move comes after a warning from the commission to Hong Kong, South Korea and Taiwan about the high levels of imports. The impact of sales from the Far East countries are compounded by restrictions placed upon imports of footwear to the U.S., Canada, Australia and Nigeria.

Price Commission allows London fare increases

LONDON BUS and tube fares are to go up before a Price Commission investigation announced earlier this month.

London Transport proposed average increases of 9.2 per cent. on bus fares and 10.8 per cent. on underground fares, and existing rates were effectively frozen by the commission's decision to investigate the rises.

The commission said yesterday that it allowed the full increases as an interim measure, after representations by London Transport executive.

The commission regulations allow interim increases before an investigation. In this case, their inquiries are due to be completed by July 12.

● London Transport have asked the Greater London Council to approve plans for a new £4.5m. garage in Hackney.

The garage, which includes full servicing and maintenance facilities and space for 140 buses indoors and 30 outdoors, would be built on a 4.5-acre site in Ash Grove, already purchased by London Transport for £1.6m. The new garage would replace the Dalston and Well Street garages opened in 1908.

U.K. airline landing-aid decision in balance

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

REPRESENTATIVES of more than 60 countries who are members of the International Civil Aviation Organisation may delay making a choice between two rival systems for a future airliner landing-aid.

The member-States of the organisation have been meeting in Montreal since April 4, discussing the merits of an American system versus those of a British system for world-wide adoption as the best landing-aid for use at thousands of airports in the 1980s and beyond. They were due to decide between them this Friday.

But reports from Montreal yesterday suggested that the U.S. had linked with Australia and West Germany to offer a new joint project based on the U.S. Time Reference Scanning Beam method.

This would effectively prevent the delegates from making a definite choice between the original U.S. proposal, and the British Doppler system.

As a result, it was suggested that the meeting might be adjourned for at least a brief period while the merits of the new U.S.-Australian-West German proposal were discussed.

It is understood that so far the countries at the conference have been divided in their views, with most European countries supporting the British system and many in Latin America and South-East Asia favouring the U.S. system.

Homepride plan could save jobs

SOME OF THE 300 jobs at Stoke-on-Trent's Homepride bakery, to be closed by Spillers-French at the end of this week, may be saved.

Mr. Robert Eldridge, the bakery's general manager, said yesterday that discussions were taking place to use the bakery as a factory and provide jobs for at least some of the workers.

"We are not allowed to produce bread under the Spillers agreement with Rank, Hovis McDougal and Allied Bakeries, but the premises can be turned into a factory and I have seen planning officials about this.

"We have a job centre at the bakery, but only 46 people out of the 300 to be made redundant have found jobs so far, so we will have to wait for the final total.

New year book analyses 362 unit trusts

THE NEW edition of The Unit Trust Year Book, published this week, gives a detailed analysis of the 362 unit trusts available for investment.

It also contains commentary on such subjects as the workings of a unit trust, regular savings plans, share exchange schemes, withdrawal schemes, and the choice of a unit trust portfolio—a new subject, reflecting the growing sophistication of unit trust investors.

Publication comes two weeks after the Department of Trade turned down the industry's call for an increase in its annual management, and within a week of a Budget in which Mr. Denis Healey, the Chancellor, made radical changes to the treatment of trusts and unitholders for the purpose of capital gains tax.

The Unit Trust Year Book: Available from Money Management, Greystoke Place, Fetter Lane, London EC4A 1ND; price £5.85.

Rise in car insurance this year 'inevitable'

BY STUART ALEXANDER

FURTHER INCREASES in car insurance premiums this year were inevitable said Mr. Daniel Meinertzhagen, chairman of Royal Insurance, yesterday in his annual statement.

Private and commercial motor business last year had suffered a severe setback in profitability and produced the worst underwriting result since 1971, he said.

"Competition remains strong and we regard some of the rates now being charged in the market, especially for motor fleet risks, as inadequate.

"In such circumstances we prefer to stand aside rather than write business at rates that will, in our judgment, produce an underwriting loss."

Overall results for the group in 1977 showed a turnround from a loss of £17.8m. in 1976 to a profit of £15.2m.

This was "a further stage in our recovery in underwriting following the stringent remedial action instituted several years ago and pressed forward unremittingly in the meantime," said Mr. Meinertzhagen.

The Royal looked on last year's results as a springboard for further future advance.

Finniston attacks engineers

BY DAVID CHURCHILL

ENGINEERS have been sharply criticised by Sir Monty Finniston for failing to produce constructive proposals for improving their profession.

Sir Monty, who is heading the inquiry into the engineering profession, says that engineers have been overly polite in their comments and have been "high on diagnosis and low on prescription."

His criticisms are made in a letter to Sir John Atwell, chairman of the Council of Engineering Institutions, which is organising a series of regional conferences to gauge opinion on behalf of the Finniston Inquiry.

Although the committee was anxious to have the views of practising engineers, he felt that there had been too much attention to pay, status and conditions rather than to the underlying causes.

"What we are lacking from the inputs thus far are constructive proposals to tackle some of these weaknesses."

The committee was well aware of the problems affecting the profession in relation to training, deployment and career development.

He was also keen to stimulate further debate on his inquiry among the engineering profession. "The committee want to know what the engineers really think, even if this means that some of the meetings become a bit rumbustious and controversial. In fact if this happens, so much the better."

The next major meeting for professional engineers, when they will have a chance to answer Sir Monty's criticisms, will be in London next week at the Institution of Electrical Engineers.

The institution is holding a discussion on whether engineers should be subject to statutory registration and licensing, an issue which has split the profession.

Speakers will include representatives from U.S., Canadian and South African engineering professions as well as U.K. Ministers.

Extra £5.4m. allocated to aid small industries

BY JAMES McDONALD

AN ADDITIONAL £5.4m. has been allocated to the Development Commission, bringing its grant-in-aid for the current financial year to £15.5m., Mr. Peter Shore, Environment Secretary, said yesterday.

The extra grant comes after Mr. Denis Healey's announcement in his Budget speech of an increase of £20m. in public expenditure for environmental services.

The commission finances programmes of small factory construction in areas of rural de-population and—although the Council for Small Industries in Rural Areas—provides advice and loans to small firms.

The grant-in-aid for 1978-79 will allow the commission to sustain its expanding factory programme, aimed at creating about 1,500 jobs each year in rural areas, while continuing to meet demand for loan assistance and specialist advice from small rural firms.

In the last financial year, the commission spent £9m. About £4m. was spent on factory building and £4m. on the provision of credit and advisory services for small companies in rural areas.

Tour operators face Swedish rival soon

BY ARTHUR SANDLES

BRITISH TOUR operators are about to face competition from another Scandinavian direct-selling holiday organisation.

Vingresor, the largest tour operator in Sweden, is to start selling in the U.K. market next winter, thus joining its Danish rival Tjaereborg which opened its highly successful British operation last year.

The bulk of British foreign holidays are bought through travel agents and the intervention of Tjaereborg has provoked considerable alarm already in the business.

Vingresor's intervention will only deepen that alarm for it has already declared that it has no intention of using agents.

In December the Swedes will launch a full range of Mediterranean holidays as well as trips to Scandinavia. The company own hotels in Spain, the Canaries, Greece and West Africa.

Last year it carried 250,000 Swedes on holiday, and brought around 40,000 Scandinavians to the U.K.

The arrival of such a large concern on the market at this time cannot bring much joy to established British operators whose market, although healthier than a year ago, is by no means buoyant.

The Swedes clearly feel that U.K. operators have been falling down on the marketing job and that Britain is a travel market waiting for exploitation.

For the past couple of years, the company has been researching the U.K. and believes there is an "enormous growth potential in a relatively wealthy country where only a little over 10 per cent. of the public take foreign holidays."

There is also a hint that Vingresor will undercut local competition. It will the company said yesterday, offer "the most competitive prices."

Vingresor's arrival will introduce considerable capacity into a market which some suggest is already overburdened with suppliers.

Agreements

Tjaereborg offered less than 30,000 holidays in Britain this year but is so happy with the result that it is more than trippling this for the summer of 1979. An initial Vingresor launch of 25,000-50,000 would not be surprising.

Major speculation will now surround the question of who will fly the new company's passengers.

Air agreements mean that British charter tourists to the Mediterranean have to be carried on British airlines or those of the receiving country.

Third-nation jets cannot be used for such holiday business. Tjaereborg uses Dan Air.

Laker Air offers big discounts

By Michael Donne, Aerospace Correspondent

LAKER AIR Travel, part of the Laker Airways group, is offering some big discounts on a limited number of transatlantic charter flights during May, to fill up seats at present left unsold.

On six flights between Gatwick and Chicago, Detroit, New York, Montreal, Los Angeles and San Francisco, "bargain" rates will be offered to passengers who can meet the required Advance Booking Charter rule of paying for flights 21 days ahead.

The Chicago fare is offered at £99 return, with a departure set for May 22 and a return on June 6. This represents a cut of about £70 off the original quoted price. Bookings must be completed by May 2.

For Detroit, the return fare is also £99, with departure on May 26 and return on June 9, a cut of £60 on the brochure price. Booking must be made by May 5.

For New York, a cut of £31 to £99 return is offered on a flight on May 14, with a return on May 21. Bookings must be completed by April 22.

For San Francisco, the fare offered is £199 return for a May 21 departure, and a return on June 5.

Mr. George Carroll, managing director of Laker Air Travel, said the reason for these discounts was that fewer U.S. citizens were coming to Europe so far this year, and some Laker seats were still left unsold. "We like to fly full aircraft, and so we have devised this policy."

BBC hopes to start new 24-hour radio service

BY ARTHUR SANDLES

THE BBC wants to start 24-hour nationwide radio broadcasting, a practice long blocked by financial restraints.

The proposal involves Radio 2 staying on the air between 2 a.m. and 5 a.m., a move which would cost about £1m. a year.

The BBC's total revenue may exceed £28m. this year, but the corporation seems likely to add the 24-hour broadcasting plan to the list of projects dependent on a rise in television licence fees.

Present fees—£9 for monochrome and £21 for colour television—were introduced last July and the BBC wants a sufficient rise to restore many cuts during the economy drive of the past four years.

As far as radio is concerned, these have included a considerable amount of merging of Radio 1 and 2, and 3 and 4 transmissions.

Arguments in favour of 24-hour broadcasting are considerable. At present only those living in major conurbations can hear British broadcasting, other than the World Service; Rural, small town listeners are being deprived.

Night audiences are also quite large, including many night workers in industry, emergency services and transport. It can be argued that radio actually helps these people to stay alert.

Some local stations have found the night hours a useful period to allow new talent to cut its teeth on such programmes, before being let loose on large audience day shows.

The last BBC annual report showed that BBC Radio Two cost £11m. a year. In November, it is to lose its Long Wave frequency to Radio Four and will instead be heard on Medium Wave.

Clearly, this might be an apt time to change to longer hours, if the administrative problems could be overcome.

Textile-finisher buys dyeworks

BY OUR TEXTILES CORRESPONDENT

WALSDEN PRINTING, one of the main independent finishers in the Lancashire textile trade, is to take over the dyeworks at Bury of Crosland and Pickstone.

Walsden, which has its headquarters at Todmorden, Lancs., accounts for about 8.5 per cent. of textile-printed fabric production, a market dominated by the big groups Tootal Carrington Viyella; Courtaulds; and Vantona. It will increase its labour force to about 460 as a result of the takeover.

Printing has remained a relatively buoyant area of textile activity in recent years because of the growth of patterned sheets, shirts, underwear, furnishings and other fabrics.

The acquisition is designed to enable Walsden to increase the range and type of fabrics it processes.

Wider fabrics

Mr. Derek Nightingale, chairman and managing director of Walsden, said yesterday that it would make fuller use of existing equipment at Crosland on wider cloths and stitch-bonded fabrics. It was hoped to instal raising plant to handle wider fabric.

The link-up will enable the company to enter new finishing areas that include reactive cotton dyes, discharge styles and printing of polyester-cotton mixture fabrics. Its main activities at present are printing knitted cotton, winceyette, and duplex bonded fabrics and shirtings.

The deal, the cost of which has not been disclosed, will not involve the other Crosland subsidiaries, Wm. Mycock of Whitworth; Neil McGowan of Blantyre; and CIEF.

£11m. in orders for excavator group

BY JOHN LLOYD

ORDERS WORTH nearly £11m. have been placed with Ruston-Bucyrus, the U.K. subsidiary of Bucyrus Erie of the U.S., for mining shovels and walking drag lines.

Conarem, the Algerian national mining agency, has placed orders worth more than £2.6m. for mining shovels. The machines will be used in a variety of applications, including the digging of iron ore and phosphates.

Draglines

The National Coal Board has ordered four large walking drag lines, valued at £8m. Draglines are used in the excavation of coal in open-cast mining.

Ruston Bucyrus, one of the largest excavator manufacturers in Europe, has only recently acquired the capability to manufacture draglines.

The market in opencast mining equipment is growing at present, as operations in the U.K. and elsewhere — notably Spain, Australia and the U.S.—are expanding.

British Airways to keep Heathrow bus service

BRITISH AIRWAYS will continue to provide a passenger bus service between its West London terminal in Cromwell Road, and Heathrow Airport, despite introduction of the underground rail link which has cut the number of bus passengers and is causing the airline losses of up to £30,000 a week.

The underground rail link between Heathrow Central and the rest of the London Transport tube railway system was opened last December. At that time, London Transport forecast that it would be used by up to 11m. passengers a year, and results over the past three months indicate that this target will be met.

The rail link has reduced the number of passengers using the bus service from West London to Heathrow, but British Airways still believes this to be a useful supplementary method of reaching the airport, and will retain it.

But to save money, and improve utilisation, it is possible that instead of having separate buses serving Terminals One and Two at Heathrow, frequencies will be reduced with one bus at a time serving both Terminals.

The matter is still being considered and no changes are likely until the end of the coming summer.

British Airways will also retain its Victoria-Heathrow bus service, which caters for long-distance passengers using Terminal Three at Heathrow.

Profitability of plant hire sector falling

FINANCIAL TIMES REPORTER

THE PROFITABILITY of the U.K. plant hire industry seems to have deteriorated over the past year according to a survey by the Jordan Dataquest financial analysis group.

The survey, which covers 368 British plant hire and related companies, found that 17.9 per cent. of the concerns studied were sustaining losses compared with only 12.9 per cent. in 1976-1977. Companies profitability was "often far from adequate" and the survey suggests that unless rates move significantly higher there will be little new investment in the sector.

On the other hand some individual companies had shown "spectacular" increases in turnover and profits. Among these were Butters Cranes, whose sales increased by 91.5 per cent. in 1977, T. Gallagher and Son (Plant Hire), whose sales rose 110.7 per cent. and C. Gabriel whose sales went up by 189.4 per cent.

Plant Hire: Jordan Dataquest, Jordan House, 47 Brunswick Place, London N1 6EE. £28.

Stanley Gibbons to sell historic share papers

BY ADRIENNE GLEESON

STANLEY GIBBONS plans to hold the first British auction of "worthless" bond and share certificates on November 24.

But the possibility that the bonds will sell at more than their face value is being played down by Stanley Gibbons.

Its advisor to the venture, Mr. Robin Hendy, a stockbroker, said that the curiosities and rarities will receive the company's stamp of approval. If offered anything which might have a "real" value greater than its apparent "worthless" value, the company would probably turn it down.

Stanley Gibbons is not interested in providing a market for bonds which might, with research, entitle their holders to more than meets the eye. It is hoping for bidders with an interest in collecting rather than market men on the look out for a bargain.

Items so far assembled for the saleroom include share certificates for the Stockton and Darlington Railway Company, dated 1858; a Russian government bond dated 1824; an 18th century bond of the State of Massachusetts—engraved by the lengendary Paul Revere; and two tontins from the early 19th century.

Appropriately—for Stanley Gibbons also holds auctions of playing cards—the tontin was a gamble on life. As the parties to the contract died, their securities were cancelled, and the interest reverted to the survivors.

Encouraged by prices at a similar auction in Germany on Saturday, the company hopes that many more curiosities will come forward for the auction.

Inro make £92,160

SALEROOM

BY ANTONY THORNCROFT

CHRISTIE'S yesterday disposed of the second part of a collection of Inro carved boxes sent for sale from the Far East.

It made £35,160, bringing £92,160 for the collection as a whole. The total for the day, which also included Japanese ivory carvings and netsuke, was £75,780.

Rare Art from New York paid £1,500 for a three-case inro decorated in rich gold and silver Hiramakie techniques with a ferry boat embarking passengers near a willow tree.

It was signed Toju "Age 70" and dated from the end of the last century.

An anonymous purchaser paid £1,300 for a four-case inro decorated in gold, silver and black. Another anonymous purchaser gave the same sum for an inro decorated in gold and colour with the Chinese Fairy Seiobo standing near a pine tree.

Among Japanese ivory carvings and netsuke, C. P. Chan, the London dealer, paid £2,800 for a set of Chinese ivory carvings of the Eight Immortals. An anonymous bidder paid £1,000 for 86 ivory, stag-antler, Psuishu, amber jade malachite, cloisonne enamel and metal Ojime, carved and decorated with various subjects, mostly from the 19th century.

At Christie's, South Kensington silver made £20,445, with a top price of £950 for a Victorian four-piece tea and coffee service.

Sotheby's glass sale totalled £38,778. A set of 36 18th-century wine glasses realised £3,100, and de Lameris, a Dutch dealer, paid £1,600 for a Façon de Venise ice glass beaker made in Antwerp in the late 16th century.

A set of three gilt decanters, c. 1780, made £1,200 and an Amen Glass inscribed with a Jacobite hymn, slightly damaged; sold for £550.

Next week, on April 25, Sotheby's is disposing of one of the best collections of Old Master drawings to have been formed in recent years. It is the property of David Daniels, an American actor, who started collecting in the early 1950s.

Sotheby's is expecting to raise £100,000 from the sale. Among the 79 drawings are eight by Boucher, one of which, a chalk drawing of Apollo, is expected to make £15,000. Mr. Daniels is now collecting 19th-century drawings.

PARLIAMENT AND POLITICS

Lever and Hattersley face critics on both sides of House

Left uneasy over pledge to small businesses

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A PROMISE of further help for small businessmen, in addition to the measures announced in last Tuesday's Budget, was given to the Commons last night by Mr. Harold Lever, Chancellor of the Duchy of Lancaster, on the last day of the Budget debate.

He told the House that the Government would be considering additional measures, particularly on the tax front, after it had received and studied the findings of the committee on the workings of the City under Sir Harold Wilson and of the Roll Committee.

But his undertakings received a sceptical response from Mr. Nigel Lawson, a Tory Treasury spokesman, who saw it as a last-minute conversion on the part of the Chancellor to the case of the small businessman.

Mr. Lawson warned that on the committee stage of the Finance Bill, the Tories would be seeking reductions to the basic rate of tax, to the tax on savings income and to the higher rates of taxes.

Inviting the minority parties in the House to join the Conservatives in voting for these changes, he said there should be *no increase in the public sector* borrowing requirement which was already too high.

If cuts in income tax were made during the committee stage, he said, it would be incumbent on the Government to cut the public sector borrowing requirement. Or, at second best, the Government should introduce a corresponding increase in indirect taxes.

The Conservatives, he recalled, had already said they favoured a single rate of ten per cent.

In his opening speech, Mr. Lever, referring to the Budget measures to assist small businesses, declared: "It is only a beginning. The Chancellor has said he will consider any reasonable suggestions that are put up in this area.

"Quite a few suggestions which I think are reasonable are going to be put to him in the course of the next 12 months.

"The Chancellor's statement was not a brush-off to those who would like to do more. It must be taken as a firm commitment to continuing advances in tax adjustments favourable to small firms which form such an important part of this country."

But Mr. Lever's glowing praise for small businessmen and the part they played in creating employment and wealth immediately got him into trouble with his own backbenchers.

Mr. Frank Hooley (Lab., Heeley) wanted to know what guarantee the Government had that *small businesses would invest and provide more jobs once they had received the money.* There was absolutely no sanction requiring them to do so, he complained.

A former chairman of the Left-wing Tribune Group, Mr. Ron Thomas (Bristol N.W.) protested that exactly the same result could be achieved in terms of jobs and investment by pumping more money into the public sector.

Mr. Lever told Mr. Hooley: "It is clear to me that any encouragement we give to small business at this time will produce remarkably rich rewards in employment terms.

The Government was awaiting the reports of the Roll Committee and the Wilson Committee to see how far it could go in making further tax adjustments which would be likely to attract investment and employment to small businesses.

"We can't stand still, especially not in the tax system," he said.

There was also the possibility of getting better services and financial management for small companies, including the borrowing of high-powered executives to give their services. Some big companies were looking at schemes of that kind.

The Government was also hoping to do something to help small companies by the provision of cheap rents in inner cities.

Mr. Lever claimed that the measures in the Finance Bill would provide assistance worth £200m. to small companies.

He maintained that *small businesses in Britain* were lower in the league table than in any of our trading competitor countries.

"The tax system and inflation have continually since the end of the war reduced the incentive to start and build up businesses or to get the risk money for business." That had to be looked at.

Our present tax system encouraged people to build up a business if they had a mind to sell it. There was not sufficient encouragement for them to preserve a business and pass it on into the future.

The present system worked to the advantage of the institutional investor, who was not in a position to advance small sums to the million or more small businesses.

The Government wanted to produce a situation where small companies would act as a magnet to investment. He wanted to see concessions that would have this effect.

He was not ruling out the provision of Government finance for small businesses after the Wilson Committee had reported. But he thought it would ultimately be decided that this was not the way.

There were shouts of approval from the Tories as he added that it was better to have hundreds of thousands of small investors providing money for small businesses, rather than have civil servants presiding over a fund.

But investors would only come forward if the small business sector had comparable appeal to other sectors of the economy.

'Inflation beaten' row with Tories

By Ivor Owen, Parliamentary Staff

IGNORING SCEPTICAL comments from Tory MPs, Mr. Roy Hattersley, Prices Secretary, looked forward in the Commons yesterday to a "moderate level" of settlements in the next wages round leading to an annual rate of inflation below 7 per cent.

Mrs. Sally Oppenheim, shadow Prices Secretary, remained unconvinced and made it clear that she preferred to rely on what she called "reliable and informed commentators" who were forecasting a rise in the rate of inflation later this year.

Backed by Labour cheers, Mr. Hattersley deplored the fact that it was impossible to gain common acceptance throughout the House that inflation was now under control and would increasingly be reduced to an acceptable figure.

Britain's future economic welfare, he said, would not be assisted by suggestions that inflation might get out of hand again. "It wont," declared Mr. Hattersley.

"We should base our policies on the certainty that inflation is now beaten," he added.

After repeating the Budget forecast that the 7 per cent. rate is likely to be reached in the spring or early summer, Mr. Hattersley commented that in terms of annual rates of inflation, Britain would be in the fortunate position of passing some of her competitors going down while they were going up.

But he stressed: "We need an inflation rate lower than 7 per cent. The Government is committed to achieving that improved level."

The Minister saw grounds for optimism in that commodity prices were not likely to increase so fast as had been predicted and in the attitude of the trade unions now that it had been demonstrated that it was possible to keep down prices and improve the standard of living.

Because of this, he believed that the next wage round would be "good" and that the Government's inflation forecast would be met.

Mrs. Oppenheim contended that the Minister's claims should be considered against the fact that since February, 1974, inflation had increased by 88.6 per cent. and that nearly 200 items, which featured regularly in family expenditure, had doubled in price since Labour returned to office.

She told Mr. Hattersley: "That is why the people of this country are not faintly impressed by your claims of overcoming inflation which they consider to be an insult to their intelligence."

The Minister retorted that Mrs. Oppenheim was continuing to misquote forecasts and surveys, none of which predicted an inflation course fundamentally different from the one he had suggested.

There was no excuse for Mrs. Oppenheim going on making these errors. He had offered her the services of statisticians in the Prices Department to explain the surveys to her.

Rapid progress to 12-strong EEC urged by Lords committee

BY RUPERT CORNWELL, LOBBY STAFF

THE Common Market should not prevaricate over negotiations for the entry of Greece, Spain and Portugal, even though enlargement will require a host of changes in the Community's political, economic and institutional make-up.

This is the considered view of the House of Lords Select Committee on the European Communities, which argues that for the Nine to stall, now that applications have been accepted and formal talks are under way—at least with Greece—could have the most serious consequences.

Not only could applicant nations face "internal and external political discontent" but the Community itself could be paralysed. "The Commission and member Governments should move as speedily as possible .... so that the chances of negotiations being interrupted by domestic pressures or disagreement among the Nine are minimised."

The basic argument of the committee is that the newcomers should be brought in as soon as possible and that the really tricky problems be handled in the post-accession transitional phase.

This period should be highly flexible to take account of the greater difficulties facing Greece, Spain and Portgual, compared with Britain, Ireland and Denmark, who were allowed a five-year transition after the first round of EEC enlargement in 1973.

The 23 Peers on the committee underline that a Community of Twelve will necessarily be a different creature from that of Nine, which with great difficulty was forced into a framework devised for Six.

The U.K. Government has been perhaps the most ardent advocate of enlargement of any of the Nine members. And the report strongly backs its insistence that the successful conclusion of Greek negotiations must carry with it a commitment to the entry of all three, even of Spain, which, as the biggest and agriculturally richest of them, will prove most awkward.

Moreover, with its remark that the EEC's future course "must be related not only to the aims of those who signed the Treaty of Rome" the all-party committee at least acknowledges the reasoning implicit in the Government's stand: that a bigger Community will be a diluted Community, and thus more acceptable to the Labour's anti-Market Left.

The report makes several key recommendations for the institutional development of an enlarged EEC, including more use of the majority voting system in the Council of Ministers, the allocation of only one Commissioner in Brussels to each member State, however large, and a reduction in the number of working languages, currently six.

It calls for a streamlining of the procedures of the European Court of Justice. Although the committee accepts that enlargement will probably bring a rise in the number of judges who sit in Luxembourg from nine to 13, it wants the quorum cut from seven to five for major cases and to three for routine ones.

To operate with the full 13 would be excessive and turn the institution "into a committee rather than a court." Only in the most important cases, and where the panel is not unanimous, should the court sit *in banc*, possibly with nine judges, but preferably seven.

Enlargement will also require shifts in the Community's external policies. Relations with Turkey should be given greater importance, and special care taken with other Mediterranean associates of the EEC. For its part, the Council of Europe should be strengthened into a forum for consultations between EEC and non-EEC European nations.

On agriculture and the much-criticised Common Farm Policy, the report warns that the output of Mediterranean products will have to be restrained—or else enlargement could destroy the CAP. At the same time, special measures must be introduced to take some of the strain.

The committee wants the impact of enlargement to be borne in mind during the current discussions on reform of the *Common Fisheries Policy.*

New members, the report says, will mean extra financial charges on both the Community and the U.K., and provide further claimants on the Common Market's regional fund, which should be increased.

Although no insuperable problems are likely over social policy, the committee does expect difficulties over negotiations on the free movement of labour within the Community. A particularly long period of transition may have to be allowed.

Manifesto MPs attack Tory immigration plans

BY RICHARD EVANS, LOBBY EDITOR

A FIERCE attack on Conservative immigration proposals was launched yesterday by the Manifesto Group of moderate Labour MPs who argued that their major effect would be to restrict entry of white rather than coloured immigrants.

"They are no more than a wholly unprincipled attempt to dupe uniformed people who fear that there is an endless queue of coloured people waiting to 'swamp' Britain," the group declared in a statement on immigration and race relations.

In an analysis of the figures, the group points out that of the 69,313 people granted settlement in 1977, 44,155 were from the New Commonwealth and Pakistan and only 14 per cent. of these (6,401) would have been excluded had Mr. Whitelaw's policies applied last year.

But of the remaining 25,158 people, given settlement from non-New Commonwealth countries and Pakistan, more than 50 per cent. (12,958) would have been excluded.

In crude terms the Conservative plans would have a relatively small effect on black immigration but a huge effect on white, the group adds. It is suggested that this close examination of the statistics demonstrates that Mr. Whitelaw's proposals are a transparent effort to buy the racialist vote.

In putting such proposals into practice, it is argued that the Conservative Party would do immense damage to race relations by dividing families and by causing uncertainty.

Shore postpones refinery probe

MR. PETER SHORE, Environment Secretary, has postponed an inquiry into a planning appeal by Occidental Refineries for a refinery at Canvey Island.

A report on the effects of the development for the Health and Safety Commission is not available for the planned opening of the inquiry on April 25. It is likely that the report, to be studied by all parties involved, will be available in the summer.

Pornography Bill decision this week

By Richard Evans, Lobby Editor

GOVERNMENT PROPOSALS for rescuing the Child Pornography Bill blocked in the Commons last Friday in a protest move by Mr. Ian Mikardo, Labour MP for Tower Hamlets, are to be made known later this week.

Many Ministers and Labour MPs were appalled by Mr. Mikardo's tactic which was a protest against alleged Conservative delaying tactics on his own Private Member's Bill aimed at strengthening the rights of trade unions.

Mr. Mikardo has obviously been taken aback by the immediate *storm of protest his action* has raised inside and outside Parliament. He has been eager to stress that he is a supporter of the Pornography Bill.

No decision has yet been reached by Ministers on how to save the Bill. But the solution will be based on making more time available to allow the legislation to go ahead without creating too dangerous a precedent.

Bread industry action call

BY IVOR OWEN

THE MANNER in which Spillers pulled out of the bread industry was described as "wholly intolerable" by Mr. Roy Hattersley, Prices Secretary in the Commons yesterday.

But he acknowledged that the problems associated with the excess capacity in the industry were well known to the Government.

"What we have to do now is to try to make sure that the bread industry continues to improve its general efficiency and that catastrophies like this do not happen a second time," he declared.

Mrs. Sally Oppenheim, shadow Prices Secretary, caustically asked how many more thousands of jobs needed to be lost and how many more companies needed to be drive nout of production as a direct result of the losses exacerbated by Government policy before the Minister was prepared to admit his responsibility for the damage being caused.

Mr. Hattersley retorted that the only alteration he had made to the control over bread prices, which Mrs. Oppenheim had supported when operated by the last Conservative Government, was to relax it.

He pointed out that in mid-March, the average retail price of a standard loaf was 24.1 pence while the maximum price permitted by the Bread Prices Order was 26.5 pence.

Mr. Anthony Fell (C., Yarmouth) contended that the effect of the Spillers decision had been to create a monopoly. The whole matter of bread prices should be referred to the Monopolies Commission.

Replying to Mr. Frank Hooley (Lab., Heeley) Mr. Hattersley *stated that the price of flour and* the general operation of milling justified some sort of investigation. "Whether this is the right moment for it is a different matter," he said.

Petrol profit claims denied

CLAIMS THAT petrol is being sold at excessive profit in rural areas are not supported by evidence available to the Government, Mr. Robert MacLennan, Under Secretary for Prices, said in the Commons yesterday.

According to reports drawn up for the Government, profit margins in rural areas were quite small, he declared.

Steel denies party 'split' over coloured candidate

BY RICHARD EVANS

MR. DAVID STEEL, the Liberal leader, moved quickly yesterday to defuse a potentially damaging squabble over the party's coloured prospective candidate for Nuneaton, Mr. Gus Williams.

He did so by the time-honoured expedient of attacking the Press for building up the issue out of all proportion to its importance.

Mr. Steel said in a statement that reports suggesting opposition to Mr. Williams because he was black were a "gross exaggeration." In fact, opposition had been declared by one member of the party who claimed a handful of sympathisers in one branch of the constituency. "That does not constitute a split," he insisted.

Mr. Steel pointed out that Mr. Williams was born and bred in Birmingham and had been an active Liberal for many years. He was an ideal candidate.

Nevertheless, the flurry has caused grave embarrassment in a party that above all prides itself on racial tolerance. Before Mr. Steel's statement, a number of senior party officials and MPs had called for the protestors, led by Mrs. Florrie Carvell, branch secretary at Bedworth, to be repudiated.

Mrs. Carvell commented: "We are not prejudiced but we feel his colour would be a drawback in a constituency like this. If he is our candidate, I am afraid we will be annihilated."

Plan for new rebate rules

By Our Parliamentary Staff

THE GOVERNMENT is planning new regulations on rebates for early settlement of debts or mortgages, Mr. John Fraser, Minister of State for Prices and Consumer Protection, told the Commons in a written answer.

He said he expected to make the regulations after consulting the credit industry and consumer organisations. A consultation document would be issued within the next two or three months.

Freedom call

ALMOST all pay policy motions on the agenda for the annual conference of the Union of Shop, Distributive and Allied Workers at Blackpool next month demand free collective bargaining and oppose Government restrictions.

Price Commission role

THE ROLE of the Price Commission in enforcing the Government's pay policy guidelines was given by Mr. Roy Hattersley, Prices Secretary, in a Commons written answer last night.

Replying to Mr. Robin Hodgson (C., Walsall N.), Mr. Hattersley said: "When the Secretary for Employment, certifies that a settlement is in breach of the pay limits, set out in the Limits of Remuneration Order, 1977, the Price Commission is required to discount the whole of the settlement for the purpose of applying the profit margin in the price code."

Mr. Hattersley told Mr. Tim Sainsbury (C., Hove) that the Price Commission did not investigate productivity schemes. But in its investigation of proposed price increases it did take account of anything which added unnecessarily to costs, including the extent to which productivity schemes might not be self-financing.

Labour victor takes seat

LABOUR'S VICTOR in last Thursday's Garscadden by-election, Mr. Donald Dewar, took his seat in the Commons yesterday to cheers from the Government benches.

LABOUR NEWS

TUC chief criticises industrial strategy

BY ALAN PIKE, LABOUR CORRESPONDENT

THE GOVERNMENT'S industrial strategy had progressed at a disappointing rate and lacked the "drive, enthusiasm and energy it needs to succeed," Mr. David Basnett, this year's chairman of the TUC, said yesterday.

He still regarded the strategy as vital to the industrial future of the country, but acknowledged that some former supporters had "lost heart."

Government, employers, the TUC and the National Economic Development Council were all partly to blame.

Mr. Basnett, general secretary of the General and Municipal Workers' Union, writing in the union journal, says that it is "disappointingly clear" that, in spite of the country's improved financial position and the substantial revival of company profits, manufacturing industry was still not investing on the scale envisaged at the start of the strategy.

It was also obvious that, even if the strategy were to achieve its original ambitious targets, there would be no significant increase in manufacturing employment over the next few years.

"Indeed, in one sense, the more successful we are in reviving investment, the less employment we can expect to create in manufacturing." The trade union movement accepted, however, that the bulk of new jobs in the coming decade would have to come in other parts of the economy.

Mr. Basnett criticised the use by employers' representatives, particularly in the early stages, of sector working parties as an "extended lobby" on such questions as relaxation of price control and corporation tax.

Some still refused to discuss issues in detail for fear of disclosing information to competitors.

There seemed to be very little link between the National Enterprise Board, the Manpower Services Commission and work which went on under the industrial strategy. Nor was the National Economic Development council always "sufficiently galvanic."

"I do not wish to give the impression that it is only the trade unions who are in step on the industrial strategy. The TUC, I believe, never fully thought out what it wanted from the sector working parties and how they should fit in with other aspects of planning.

"As a result, our influence has not been as effective as it might have been."

In spite of his disappointment with the industrial strategy, Mr. Basnett will lead a TUC campaign this summer for a further phase of the social contract in collaboration with the Government.

This will not entail any pledge to abide by the 7 per cent. earnings target that Ministers will shortly be promoting, but will mean maximum support for the Government in the run-up to the election and full discussions on the economy.

Mr. Basnett believed that trade union activists at his and other delegate conference this summer will give this policy a rough ride, senting the different groups of

Strike over sacked steward may hit Leyland depot

BY OUR LABOUR CORRESPONDENT

WORKERS at Leyland's service and parts depot at Horspath, Oxfordshire, yesterday decided to stop work from to-day unless the company agrees to reinstate a dismissed shop steward.

Mr. John Power, Amalgamated Union of Engineering Workers convener and one of the leading shop stewards who has been involved in talks with the company on industrial relations *reforms*, was dismissed on Friday after an inquiry into travelling expenses.

There were demands for immediate strike action when 1,100 men at the Horspath depot met to consider the dismissal yesterday.

They agreed to postpone the action for 24 hours to allow for talks between Mr. Terry Duffy, AUEW Midlands executive member, and management. But these lasted all day and were still in progress last night.

Mr. Malcolm Young, Oxford district secretary of the AUEW, said after the mass meeting that there would be a strike from to-day—supported by 650 Transport and General Workers' Union members—unless Mr. Power got his job back.

Mr. Power, an influential trade unionist in the Oxford area, is prospective Labour parliamentary candidate for Aylesbury.

The Horspath spares depot supplies parts to Leyland dealers throughout the country and a strike of any length there could have a serious impact at a time when the company has succeeded in improving its market share.

Walk-out hits Varley visit

By Our Belfast Correspondent

ALL 3,000 shop-floor workers at Short Brothers Aircraft factory, Belfast, walked out yesterday only hours before Mr. Eric Varley, Industry Secretary, was due to tour the production lines.

Mr. Varley, on a one-day visit to Ulster, was forced to drop plans to talk to shop stewards and aircraft workers, but he had discussions with Mr. Philip Foremen, the chief executive.

He said that the Government would give "positive consideration" to Short's plans submitted for Government approval and financial support.

The dispute which closed the Government-owned factory for the half day rose from negotiations between the company and maintenance workers about wage differentials.

A senior shop steward said: "The walk-out had nothing to do with Mr. Varley's visit."

Mr. Varley also promised that the State-owned Harland and Wolff shipyard would continue to receive assistance.

After talks with the shipyard management and shop stewards, Mr. Varley added: "The Government has done better over the last two years in supporting the shipbuilding industry.

"We believe it essential that we maintain the industry. Any orders we can get for the U.K. and Harland and Wolff will help."

Boeing purchase plans pernicious, says Gill

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

FURTHER criticism of British Airways' plan to buy Boeing 737 short-range jets came yesterday from Mr. Ken Gill, general secretary of TASS, the white-collar section of the Amalgamated Union of Engineering Workers.

Describing the British Airways plan as "pernicious and punitive," Mr. Gill said in his union's journal that, if the deal went through, it would be a body blow to British aerospace engineering.

The direction of British Airways' procurement policy would be influenced by this decision. "Britain's capacity to supply viable aircraft in the 1990s will be determined by what happens in 1978."

Problems vital to the interests of British Airways, British Aerospace and Rolls-Royce should be decided collectively in the public interest.

"It is farcical that the jobs of many thousands of employees can be jeopardised without any attempt by these three nationalised corporations to collaborate."

British Airways claimed "a marginal financial advantage in buying American rather than the British-designed and built Rolls-Royce-engined One-Eleven Series 600.

"We do not accept their arguments, which are both pernicious and punitive.

"Pernicious because this mean-minded logic has already mortally wounded a number of British industries vital to our economy. Punitive because Britain's economy cannot be run like Woolworth's, with each counter forced to make a profit."

The aerospace industry was at stake. "The Government and the Corporation Boards must commit themselves to that industry as completely as do the unions," Mr. Gill said.

Railway Union accepts 10%

By Our Labour Staff

THE Transport Salaried Staffs Association yesterday formally accepted the 10 per cent. pay offer.

It told the British Railways Board that it was going to the Railway Staff National Council with its claim for extra payments similar to those agreed upon for pay-train guards.

Train services on the London Midland Wolverhampton to Euston route are expected to be operating normally from 6 a.m. to-day. Yesterday, 50 Inter-City services were cancelled because of a one-day unofficial strike by nine signalmen over a regrading claim.

Dulwich Hospital report aims to end squabbles

THE REPORT of the committee of inquiry into the dispute at Dulwich Hospital, London, which has shut the operating theatres for six weeks, yesterday made a number of recommendations designed to help staff "work together" more effectively.

It also cleared of any blame Mrs. Jennifer Burke, a senior nursing officer who has been at the centre of the dispute.

A history of petty squabbling involving theatre staff was brought to a head this year by a row over where a hospital porter should park his bike

The row between Mrs. Burke, the nursing officer in charge of the main operating theatre suite, and porter Joe Daly eventually shut the theatres.

The report says that Mr. Daly, who parked his bike in the medical students' changing room next to the operating theatres, should be moved.

Its main recommendation is the setting up of an operating theatre users' committee represneting the different groups of theatre staff, as "a vital initial task." It also recommends a full-scale review of rules and practices.

Bank charges

THE Price Commission report on bank charges is expected to be published to-day, Mr. Robert MacLennan, Prices Under Secretary told MPs yesterday.

Journalists sit in

EIGHTY evening newspaper members of the National Union of Journalists at Hemel Hempstead occupied the editorial floor yesterday after being sacked for refusing to end a work-to-rule in support of a pay claim.

Their work was not accepted and the Evening Post-Echo, owned by the Thompson organisation, which sell 87,000 copies a night in Beds. and Herts., was produced by the editor.

Mr. William Gillespie, managing director, said that the journalists wanted the company to bend the Government's 10 per cent. pay guidelines. They had already received an extra £7 a week.

Working week cut demanded

BY RAY PERMAN, SCOTTISH CORRESPONDENT

A DEMAND for a cut in the working week to 30 or 35 hours, with no loss of earnings, was made yesterday by Mr. Arthur Bell, president of the Scottish TUC.

Mr. Bell said when opening the annual conference in Aberdeen that unemployment—likely to feature largely in debates to-day—must be tackled as the disease it is.

The Government must take the initiative and make a positive declaration on the right to work.

"We shall never make progress in this country unless we keep reminding ourselves of the unemployment that it allowed to prevail, of the inequality and injustices that stem from such a scar on our society. To our discredit, we in the trade union and Labour movement have yet failed to eliminate it, in almost a century of industrial and political effort.

"We are in a situation where, if we wish to retain our place in the industrial world, we must plan our economy accordingly. An economy that has no impositions or legislative restriction placed on the trade union's right to free collective bargaining." We would be facing the need to cut our workforce in many industries. We should not to put them on the unemployed scrap heap, but plan and introduce measures to allow them to continue work with some dignity.

Early retirement and the shorter working week were two measures that would help to alleviate the problem.

Mr. Bell's call for a 35-hour week has the backing of the Transport and General Workers' Union, which is to propose a resolution on the subject.

Mr. Moss Evans, the union's general secretary, said that 600,000 jobs could be created if a shorter week were introduced in industry. His union would be pressing the Government to take a leadin cutting working hours in the public sector.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ENERGY

Reduces process heat input sharply

DESIGNED for a very high degree of heat recovery from scouring and distillation processes applied to woollen and *worsted textiles, a pilot plant has* just gone into operation.

Development was *dictated* by the sharp rises in the cost of fuel, water and effluent treatment.

The initial step is to displace *the water from the processed* textiles by a solvent which significantly cuts the amount of heat needed to dry the fabric, due first to the removal of surplus water, and secondly to the fact that the mixture of water and perchlor present has a low specific heat and low latent heat compared with pure water.

During distillation of the mixture, the vapours from the still are used through heat exchangers to evaporate a further quantity of the mixture with its *relatively lower boiling point* than the parent liquid. This gives a further 25 per cent. of distillation without further heat input. And the vapours are made to release their heat (at 87degC.) to the incoming liquors *and also* for space and office heating, as well as for hot water storage for the dyehouse.

Total heat recovery at the *moment is of the order* of 80 per cent. and this figure will rise as lagging is applied. Some 24 per cent. of the perchlor used is distilled "for free."

In scouring fabrics, the oils are removed. However, the effluent from the pilot plant is an oil of reasonably high quality and can be used as a fuel or refined and applied as a lubricant. There is no effluent, as such and even the soiling liquors are *used to create energy while* simultaneously destroying dirt by combustion.

More from John Gladstone and Co. (Engineering), Wellington *Mills, Huddersfield,* HD3 3HJ 0484 53437.

● RESEARCH

Levitates and drives

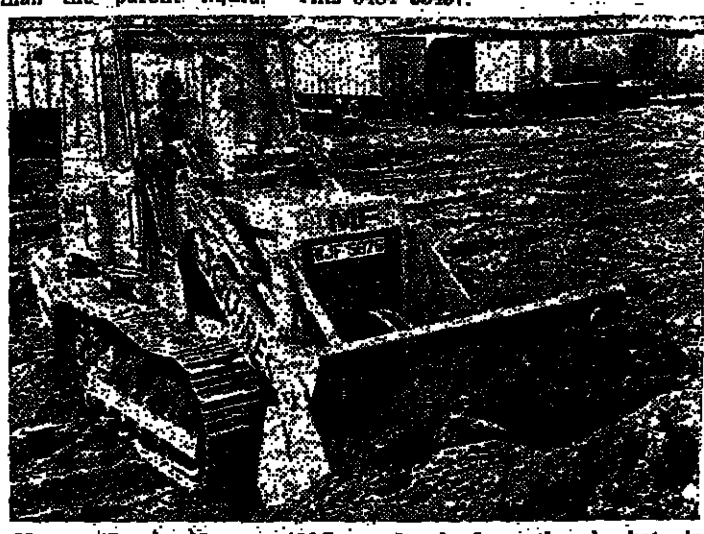
WORK has been in progress at *the Loughborough University of* Technology in which a DC magnetic levitator has been devised which can also cause the levitated item to rotate.

In the experimental *device* a fixed electromagnet is fed from a DC supply controlled by a pair of parallel transistors. The height of levitated object is detected *by a circular sensing* coil so that the current to the electromagnet can be regulated *to maintain the height constant.*

In the Loughborough device the magnet pole piece and suspended item are wedge-shaped, and normally the wedges tend to lie in the same plane. *If the* suspended item is displaced *a* little, it returns to alignment in a series of decaying oscilations.

However, if it is spun with sufficient initial angular velocity it assumes a steady rotation that is sustained indefinitely. Rotational power prospects are indicated by the fact that if the "*rotor" is braked it will restore* to its original speed.

The National Reearch Development Corporation is keen to assess industrial interest in the work. *Inquiries to Jim Strutt,* NRDC, on 01 828 3400.



Massey Ferguson's new 400C crawler loader. The company says it has a unique control *system which enables a machine of this type* to be used more efficiently. The system involves *the hydraulic control mechanism for* the front bucket. A single lever for lift arm and *bucket movement is mechanically linked* to an adjacent lever (shown on right) *controlling the multi-purpose bucket. When* the bucket is crowded or dumped, the operator moves the level to left and right: as he does so, the lever controlling the bucket moves with it and the two layers retain the same relationship with one another. The operator is able to choose either lever for dump and roll back and is also able to cover *both controls with one hand and get a higher* standard of finish with the multi-purpose *bucket in grading and scraping work.*

● COMPUTERS

Boost for ICL small fry

FOLLOWING the announcement of its "supercomputer," it is *the turn of ICL's smallest* computers to receive a boost. Three new models, and additional hardware and software, have been added to the 1500 minis.

These facilities boost the 1500's performance as a "standalone" machine and give it interactive capabilities for the first time when linked to a mainframe computer in distributed and transaction processing networks.

The three new models are the 1501-41, 1501-43 and the 1503-41. Both the 1501-41 and 1503-41 make use of new fixed disc stores of 2.5 and 5 Mbytes capacity. *The 501-43 makes use of a* 2.5 x 2.5 Mbytes fixed and exchaigeable disc store which has only been available previously with the larger 1503.

All models can have up to 20 Mbytes of disc store.

Other new items of hardware are a 100 char/sec. matrix printer and new communication facilities for interactive operations. In addition, the main store *capacity of all 1502* and 1503 models has been doubled.

These additions and other developments to follow are intended to extend the life of *the* 1500 Series into the 1980's and enable ICL to expand from the £25m. worth of sales achieved in *1976/77.*

Much of the new software has been developed by Dataskill. Important is 1500 Mainframe Communicator which enables the *1500 mini-computer to act as a* video or teletype terminal and communicate with the ICL 2900, *2903 Series,* System 4 and *1900* Series computers.

Offers more power

LATEST service from ADP Network Services is aimed at large timesharing users spending more than £6,000 per month, at the "custom programmed" application market (order entry, stock control etc.) and at the in-house data processing department needing to enhance its services without affecting its current operations.

Known as "Onsite," it places a satellite computer on the user's site which is completely compatible with ADP's existing timesharing services. This will connect with the company's existing international teleprocessing network and operate as part of it.

Users will see no apparent difference in operating speed, convenience or capability: however, states ADP, the presence of satellite equipment on the user's site will "*significantly improve* cost-effectiveness and control."

The site satellite will be able to handle 32 users at the same time, local or remote, and the service *will provide ready-to-use* commercial timesharing software: languages such as Fortran.

More from 179, Great Portland Street, London, W.1 (01-637 1355).

Coping with colour

THERE are now some 16,000 *vehicle body repair and refinish* specialists in the U.K., consuming over 20m. litres of paints and thinners yearly to cope with the third of 14m. vehicles on the *road involved in accidents* resulting in paintwork damage.

A "car colour explosion" has been created by the enormous increase in the number of vehicle colours *on the road* (and the several thousand more variants that actually reach car showrooms) and the Refinish Group of ICI Paints Division is *currently spending about* £300,000 a year attempting to meet the problem.

The most emotive phrase on a repair estimate would appear to be the *last* line—refinish repaired area in matching colour —presenting a serious challenge to the repairer who has to identify and order a colour which may comprise three different shades.

A *few* years ago, ICI could *meet* 80 per cent. of all regular demand from refinishers by making and stocking some 600 ready-mixed colours in each type of paint; now, with the range *increased* to *more* than 900 colours, it can meet less than 50 per cent. of trade colour requirements.

A practical move is the offer *of a two-volume car colour pack* containing more than 2,500 colours from 27 manufacturers and backed by six separate fans of around 600 common variant *colours.*

New equipment recently introduced by the company (referred to on this page on April 13) will assist in the accurate mixing of colours. The microfiche system stores around 8,500 formulae and *should* combat the storage and retrieval difficulties experienced with old-style card files systems.

The Refinish Group is at Paints Division, Slough SL2 5DS.

Bureau in Birmingham

THE ELEVENTH computer output on *microfilm* bureau operated by Eurocom Data has been *opened by the company in Birmingham.*

Machine chosen for the new centre is the Bell and Howell COM recorder and there are also a number of high speed copiers. The equipment will enable the centre to process up to 12m. frames per month—which could provide a considerable saving for local business in terms of paper storage space, production costs, access time and general handling convenience.

The machines will print *computer output in a number of* tiny frames forming a mosaic on a piece of postcard-sized film. This microfiche contains the equivalent of 700 sheets of *computer print-out standing over* three feet tall. The frames are indexed and easily retrieved and projected on a reader.

Eurocom Data, a National *Westminster Bank* company, now has 400 customers in the U.K. and another 1,000 in the rest of Europe.

More from the company at 3 High Street, Rickmansworth, Herts (Rickmansworth 74323).

● INSTRUMENTS

Laboratory unit worn on shoulder

LATEST digital multimeter to be offered by Solartron is described by the company as *being of laboratory standard* but at the same time weighs only 2 kg and is carried easily in a case with shoulder strap.

The price—£299—has to some extent been achieved by additional use of integrated circuits: for example, the whole of the basic measuring "core" *of the instrument, the pulse width conversion system,* has been reduced to a single IC designed by Solartron and made by Plessey. The technique has only previously been available in the company's more expensive *instruments.*

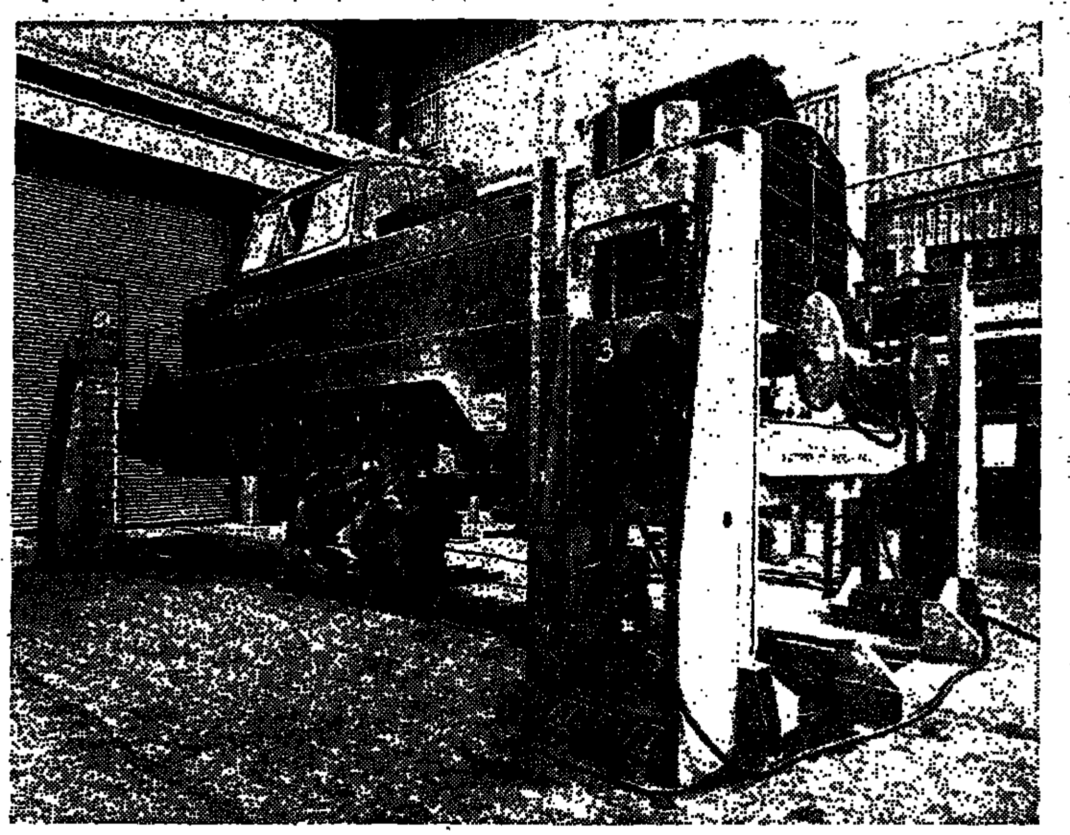
Working from mains or internal nickel cadmium batteries, the 7045 is also able to measure temperature from minus 20 to plus 200 degrees *Centigrade* with an external thermocouple probe.

Use consists of no more than connecting the meter, pressing the appropriate function button —voltage, current, resistance or temperature and observing the *five digit display,* which is updated four times each second. Another button "freezes" the last reading the instrument has taken.

The measurement ranges are impressive. Direct voltage can be measured from one microvolt to 1000V, alternating voltage from *10 microvolts to 750V. The DC* current range is from a billionth of an amp (one nanoamp) to 2A, AC 10 nA to 2A. Resistance values from 10 milliohms to 20 megohms can be dealt with.

Also available are radio frequency probes extending measurement *to 750 MHz and a high* voltage probe which takes the voltage limit of measurement up to 40,000 volts.

More from the company on Farnborough (Hants) 44433.



A more efficient and safer method of carrying out major overhauls on the company's internal fleet of diesel locomotives is now being used by Stanton and Staveley (part of the British Steel Corporation), through the installation of a set of Matterson lifting jacks in conjunction with a Wharton overhead travelling crane. The combination of the four jacks — capable of lifting up to 64 tons — and a 7.5 ton Wharton crane has provided considerable capital savings in the cost of a *specially strengthened workshop building* and resulted in more efficient use of available manpower. Before installation of the jacks, locomotives had to be packed on wooden blocks, but with the jacks, locomotives can be kept at a height of up to 5 feet for several weeks, raised or lowered almost instantly and, with the specially extended span of the jacks, axles can be simply rolled out from underneath the locomotive transmission components readily accessible.

● COMMUNICATIONS

Speech down mine shafts

IT IS a somewhat extraordinary feature of most mining operations *that there is no modern* system of communication between the cage in the shaft and the surface.

According to Communication and Control Engineering of Nottingham, existing methods *frequently* consist of pull-rope arrangements or even gongs struck at the top of the shaft.

Following the inquiry into the Markham Colliery disaster in *which 18 men were killed when* a cage crashed to the shaft bottom, electronic systems were recommended and one outcome has been the development of Callcage by CCE.

This system makes use of the steel guide ropes as audio transmission lines. An amplifier is connected across the two top ends of the ropes, the bottom ends of which are connected to *form a loop.* An identical amplifier (both are intrinsically safe) is installed in the cage and is inductively coupled to the rope by means of a coil in close proximity, *thus enabling signals* to be sent from the cage on the move.

The amplifiers and associated coupling transformers are designed to work in either transmit or receive modes, and when *receiving* feed a loudspeaker. The system employs voice switching and so is only triggered, from either end, at the onset of speech. The units are battery *operated, with a reserve* battery.

An additional hand-held unit enables the inspecting engineer to contact the surface. For additional safety, a short tone is transmitted every five seconds to confirm that the complete system is functioning correctly.

More about Callcage, which is approved by the Health and Safety Executive as a safe *system of communication* in mines, from the company at Park Road, Calverton, Nottingham NG14 6LL (060744 2574).

Tells where trouble is

AVAILABLE FROM Cass Electronics is an ultrasonic system that allows individuals in trouble in, say, a hospital to be located and helped quickly.

Each individual — security officers in a large building, for example—carries a lightweight ultrasonic transmitter that clips easily on to a belt or coat pocket. In the event of trouble, a pin is pulled out of the unit causing a *specific* ultrasonic frequency to be emitted.

The signal is picked up by the *nearest* of a number of ultrasound receivers distributed *throughout the building* — thus giving location data — and is relayed by a line back to a central control point. The name, and approximate location of the *individual is quickly deduced,* and if desired could be shown on a map display.

Although the primary use of the alarm is expected to be in *situations where staff are at risk* of physical attack, it could also have applications in residential homes, schools, and offices.

More from the company at Crabtree Road, Thorpe, Surrey (Egham 6266).

● PROCESSING

Water jet pump

WORK IS nearing completion on the first 500 hp water jetting pump to be built at Aquahydraulics' factory at Partridge Green, Sussex.

Powered by a Detroit diesel engine, the pump will allow *users to undertake heavy duty* maintenance jobs including descaling.

The first order for the equipment, known as the Aqua *Monster,* is *for North West* Descaling and the first job will be at ICI Mond's Hillhouse plant, Fleetwood, Lancs., where a large vaporiser has to be descaled.

The new equipment will be used to de-scale the hard carbon in the 1,800 tubes drastically cutting down the 150 hours normally taken for this exercise. With an operating pressure of 16,000 psi and a flow rate of 38-40 gallons a minute, compared to the 14,000 psi machine currently used for the work with a flow rate of only 15 to 16 gallons a minute, there will be more time *available to the operator for a* really heavy job, says Aqua-Hydraulics.

● OFFICE EQUIPMENT

Handles high volume mail

A METER franking and mailing machine capable of dispensing 10,000 letters an hour and holding up to £9,990 postage value is offered by Pitney Bowes, Harlow, Essex.

Of particular interest to companies which have high volume *letters/parcel mail. Model 4371* uses the company's "R" series postage meter which can be speedily removed from the assembly for refill at the post office.

In one minute, 166 envelopes of, say 17 inches long by half an inch thick, can be fed, meter franked, post-marked, sealed and stacked. Packets/parcels are *meter stamped by an integral automatic* tape device issuing wet or dry labels from a five inch diameter roll.

The Management Page

EDITED BY CHRISTOPHER LORENZ

THE CONTROVERSY over control of Britain's nationalised industries is growing. Parliamentary select committees have taken to public criticism of the industries' chairmen, and their relevant ministers. This month the Goverment has published two White Papers on the subject—one, in response to radical proposals from the National Economic Development Council, on the relationship of all the nationalised industries with Government, the other on the future structure of the electricity supply industry.

The European Commission will shortly enter the discussion, by proposing two directives which would produce some harmony in the way member States deal with their public enterprises.

The Commission is particularly worried about "transparency"—the extent to which Government interventions in, for instance, pricing decisions affecting the profitability of public enterprises can be properly scrutinised and quantified. It is also concerned about the "subsidy" effect of such interventions, which indirectly affect end-prices of products traded between member States, and which therefore, in its view, distort competition. Its proposals would be under the aegis of Article 90 of the Treaty of Rome.

This is likely to provoke considerable opposition, since Governments have regarded the freedom of national policy towards public sector control as their inalienable right.

In the prolonged debate which will inevitably ensue before either the White Paper's recommendations are implemented, or the EEC member states reach any agreement on the Commission's proposals, it will be particularly important for British politicians, civil servants and business leaders to dispense with many of their misconceptions about the way public enterprise operates elsewhere in the Community.

Intervention

Contrary to a widespread assumption, U.K. nationalised industries have had a more laissez-faire system of control in recent years than their French and German counterparts. This element of independence was the purpose of the post-war Morrisonian concept of the public corporation: a legally independent entity established by Parliament, but not directly responsible to it, with unclear powers of Ministerial intervention.

Relations between EEC governments and their public enterprises are under scrutiny by the Commission. Its harmonisation plans will complicate the current U.K. debate

Public sector control: why flexibility is the answer

BY RALPH WINDLE AND WILLIAM KEYSER

The recent interventions by the Select Committee on the Nationalised Industries in the affairs of British Steel and British Waterways are evidence of an attempt to reinstate some criteria of public interest against the power of the public corporations' chairmen, both severally and jointly, as members of the Nationalised Industries' Chairmen's Group. In also attacking the arbitrary intervention of ministers, the Select Committee was attempting to fill a control vacuum which does not exist to the same extent in the French and German systems.

This essential difference may have something to do with the much longer pedigree of the French and Germans in the field of public enterprise.

Public enterprise in France goes back several centuries and makes Morrison and Attlee look like young upstarts in the nationalisation field.

With the end of the Second World War, the public sector expanded enormously, partly by way of expropriation of plants whose proprietors were held to have collaborated with the Germans (Renault, Gnome et Rhône) and partly to take some "commanding heights" of the economy (coal, gas, electricity and the principal joint-stock banks and insurance companies). Much has been added since, and the public sector in France now has a dominant influence on the supply of energy, transport by air, land and sea, postal communications, telephones, radio and television.

The Germans made their significant start on public enterprise in the last quarter of the 19th century.

By 1977, federally-owned enterprises had built up the market shares as shown in the second table, according to the German Ministry of Finance. Utilities and a large number of involvements by the Land governments are excluded.

So our leading Community partners have very large public sectors which exercise a dominance over selective parts of their economies rivalling or exceeding that of the U.K. We have equated public enterprise with nationalised industries organised as public corporations: whereas they, with a public opinion less antagonistic to public intervention have forms of public enterprise *which imperceptibly cross the* boundaries between public and private business, with the widespread taking of equities by national, regional or local government in private sector.

In 1975 the German Federal Government, in addition to its direct participation in 87 public enterprises, owned at least 25 per cent. of the equity in 885 private law enterprises. This excludes significant holdings by Land governments. In the same year in France the subsidiaries of so-called public enterprises officially numbered at least 500 and may well, on other evidence, total over 1,200. By comparison, our National Enterprise Board is a very late starter in the field.

The degrees of government or civil service control on the Continent are very much to do with the competitive environment of the public sector institutions. Where public enterprise is in competition with private enterprise — as, for instance, with Renault in the car industry—the sponsoring departments exercise little control and look to the earnings of market-related returns on investment as the appropriate criteria.

In the case of central public utilities, such as railways, telecommunications and postal services, the institutions are run effectively as part of the machinery of government. And where the activities are state monopolies, degrees of managerial autonomy are extremely small, and ministers intervene very directly, not only in investment but also in wages and prices—the latter being the substantive basis for the Commission's likely intervention.

In both France and Germany it is common practice for civil servants to be placed by Government on the top boards of public enterprises. There are three, for instance, on the board of Lufthansa and in France it is customary for a civil servant to take one of the *top two posts in the full-time* executive, in addition to the civil service members of the conseil d'administration. Paradoxically it can be argued that the presence of ministerial representatives in the enterprise lessens the prospect of arbitrary intervention of ministers by giving a guarantee of continuous information and influence. But the European parallels would be a poor buttress for the argument that public enterprise should be free of ministerial, parliamentary and civil service intervention and "allowed to get on with it" as in private industry.

The most noticeable differences in the control structures of public enterprise in the U.K. and on the Continent is in the wider representation of interests on the policy-making boards — significantly, the work people themselves and, in many instances, industrial customers.

This month's general White Paper hedged this issue and left it to the public corporations to exercise their discretion, again because they must be seen to be acting like competitive private enterprises constrained only by financial targets appropriate to the circumstances of each industry. Again the continental experience would more strongly suggest that representative boards are not only more in keeping with indusrial democracy and commitment — something which has been noticeably lacking in major parts of the U.K. public sector — but also with the needs for efficiency and reasonable profitability.

The lesson

The lesson would seem to be that we, too, should take a more flexible view of what are appropriate forms of control for different kinds of public enterprise, rather than try to run them on private sector lines. Outright nationalisation is likely to diminish in favour of more mixed-economy enterprises, on the French and German patterns.

This applies particularly where the motivation is either the defence of employment through public rescue, or the more positive technology when the market system fails to provide. In these cases a laissez-faire system of controls seems justified— given reasonable protection of the public share in the equity.

In the case of the major existing public utilities and state monopolies, however, there is a strong case for demanding more rather than less direct representation on their top boards — workers, consumers and, yes, even civil servants. The greater "freedom" which the Chairman of the nationalised industries deserve is freedom from short-term vagaries and changes in Government policy: the "freedom" they do not deserve, and cannot be allowed to have, is less intervention in the public interest in the formation and implementation of their strategies. That conclusion should be reached on its own merits, but the Germans and the French already practice it.

The authors, under the joint sponsorship of the Commission of the European Economic Community and Metra Oxford Consulting Ltd., have recently led and edited a survey on Public Enterprise in all of the nine member countries of the EEC. It will be published as a seven volume study by Sijthoff International in May.

FRENCH GOVERNMENT INVOLVEMENT IN INDUSTRY

	Added Value	Investment Fixed Gross
Agriculture	15.6	1.9
Coal	97.3	97.3
Electricity, water and gas	88.6	96.9
Oil	3.8	8.8
Cars and cycles	20.9	25.1
Shipbuilding/aircraft/arms	39.9	61.8
Chemicals/rubber	9.6	27.7
Transport	38.2	54.8
Telecommunications	100.0	100.0

WEST GERMAN GOVERNMENT INVOLVEMENT IN INDUSTRY*

Product	Share %
Hard Coal	9.7
Brown Coal	6.3
Coke	8.1
Crude Steel	9.6
Pig-Iron	11.6
Oil	8.3
Aluminium	48.3
Passenger Cars	27.3

* *This does not include the Federal Government's ownership of public "utilities."*

Putting quality before price

EVERY TIME the pound moves up or down by just a few points, British businessmen and economists instantly speculate about its effect on exports.

With even more monotonous regularity, exactly the same happens in West Germany. Nervous industrialists constantly claim that the inexorable revaluation of the Deutschemark is on the verge of ruining their export markets. This torrent of complaint has been flowing for at least six years now; yet German products, especially capital goods, continue to be in intense demand throughout the world.

The main explanation for continued German export success has long seemed to be a mixture of reliable delivery and good product design—as those same boardroom Jeremiahs know full well.

New evidence to support this view has now come from the Science Policy Research Unit at the University of Sussex. An analysis of mechanical engineering exports from Germany and the U.K. shows that, in most cases, German products are both more expensive *and more competitive* than their U.K. equivalents. The calculations, reported in the journal Management Decision*, are based on "export unit values," and refer to 1971.

This analysis reinforces the general conclusions of a case study of innovation in textile machinery, recently carried out by Dr. Roy Rothwell, of the unit. Part of his work was a survey of why U.K. textile companies had bought foreign machinery, in preference to British-built models.

Almost 90 per cent. of the 107 companies which replied to his inquiries (including all the major firms) had bought foreign machinery during the period covered (1970-76). Only 4 per cent. attributed their "buy foreign" decision to relative cheapness.

The most widely quoted reason (32 per cent.) was the superior performance of foreign machines (more reliable, more productive, and offering greater operational efficiency).

In those cases where U.K. machinery was available, 62 per cent. of the reasons for buying foreign related to the performance or "quality" of the machinery. If the category "no suitable U.K. alternative" was included, this increased to 76 per cent.

Dr. Rothwell considers that these findings have considerable implications, both for the policy of government as well as for the companies. He argues that it is essential for the U.K.'s balance of payments that it should "export dear" and "import cheap." "Yet in the important machine-building industries, it seems that the value/weight ratio of British exports is consistently lower than that of imports."

One way for this imbalance to be redressed is for U.K. machine builders to be more innovative, Dr. Rothwell argues. Distinguishing between different types of innovation, he says that while the short-term prosperity of textile machinery companies can often be assured through "product improvement" innovation, in most areas a more radical type of innovation has been necessary to ensure firms' long-term survival.

**Management Decision, Vol. 15 No. 6, 1977. Published Feb., 1978. MCB Journals, 200 Keighley Road, Bradford, West Yorks BD9 4JQ. Tel. 0274-492583.*

Rewarding innovation

A KEY caveat in Dr. Rothwell's paper is that new technology *per se* is no guarantee of commercial success. Efficient after-sales service, reliable delivery, satisfaction of user needs, comprehensive operator training courses, and speedy spares supply all play their crucial part in ensuring success.

These are the sorts of points that the judges of one of the best-known technological innovation awards will have in mind when they start their work shortly. There is only a fortnight to go to the May 3 closing date for this year's £25,000 TDC Innovator competition, organised by Technical Development Capital*, the venture capital arm of Industrial and Commercial Finance Corporation (ICFC).

The aim of the award is to encourage individuals, small companies, teams or partnerships who have the necessary technical know-how, commercial skills and management potential to build a growth business. First prize of £10,000 will go to the best business plan to exploit a worthwhile technological innovation, whether product, process or service.

**TDC, 91 Waterloo Road, London SE1 8XP. Tel. 01-928 7822.*

Improving design

WITH THE crucial importance of product design and innovation at last being recognised by previously blind companies and government alike, the British Institute of Management is to hold a major conference on the subject next month (May 4).

The BIM has also produced a new checklist (number 74), outlining 17 key questions and problems for management on product design and development.

Many of the points it makes are surprisingly obvious. But it clearly recognises the extraordinary amount of education which is necessary if the average quality of design management in industry is to be improved.

"In some companies there is a tendency for new products to emerge rather than be planned," it says. "Giving creative people 'their head' may be laudable, but not if it means new products are designed and developed without proper prior consultation and evaluation by all the major departments concerned."

"Detailed discussions should take place beforehand with the marketing, finance, purchasing and production functions." A seemingly obvious maxim, but how many companies actually follow it?

Sample points from the list are:

Marketing—"has the designer broadly established by detailed, not cursory, discussions with the marketing function that there is indeed a market, or potential market for the concept he has in mind?"

Finance — "does the designer have available all the necessary information about the company's production resources in terms of buildings, plant and labour?"

Christopher Lorenz

هكذا من الأصل

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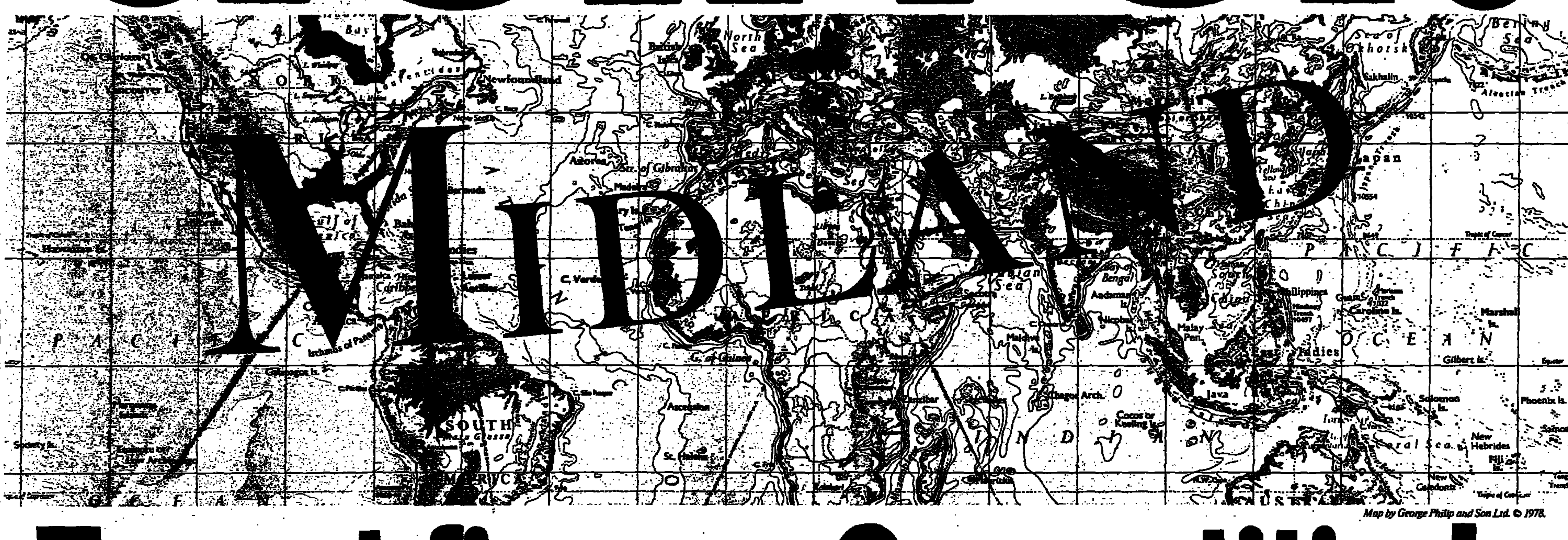

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LOMBARD

Cost-effective harassment

BY ANTHONY HARRIS

IT IS PROBABLY a misleading impression based on a run of reasonable luck, but there do seem to have been fewer traffic wardens about recently in the parts of London I frequent. If this is an objective fact, the local authorities concerned deserve congratulations on sound business sense. Someone with an eye for economy may have noticed what I have long suspected as a matter of highly persuasive theory: that cash income is in inverse proportion to the number of wardens who collect it.

Sporting chance

This idea arises partly from the structure of parking charges: the marginal revenue from those who overstay their allotted time is so much higher than from those who obediently put their money in the slot that it must pay handsomely to encourage people to take a chance. Even if you only catch one in three of the evaders, your gross revenue from parking charges goes up; and provided you can be sure of collecting this modest proportion, it pays to encourage the idea that there is a sporting chance of getting away with it.

The best way to do this is to halve, say, the number of wardens. Since this halves collecting expenses, net revenue rises much more sharply than gross, and the revenue collected by each warden rises spectacularly. Where overstaying is a sporting proposition, the few wardens who do go the rounds can issue whole books of tickets. Even if motorists pay rather more on average, the sporting element will maintain good humour.

However, the real Benthamite joy of the situation is that net revenue for the local authority is likely to rise even if motorists pay the same or less on average, because of the saving in policing costs; and if the local authorities have been enlightened enough to do this sum for themselves, they deserve some sort of gold medal for public administration. Not only that, but they have established two principles which could be more widely adopted.

The first is simply the panelty charge, or rather excess charge, as an alternative to the full terror and cost of criminal proceedings. This is effectively in force with import duty over trivial matters, and the Customs, like an enlightened local authority, combine this with a fairly light-handed approach to policing the ports of entry.

A far more important principle, though, is that of cost-effectiveness. This is applied to some extent at the policy-making level—it is one of the arguments which destroyed Labour's absurd proposals for a graduated wealth tax: but it is not applied, alas, at the operational level when it comes to harassing the small taxpayer.

The figures illustrate the result. The U.S. Internal Revenue Service has roughly the same manpower as the Inland Revenue here: this force collects approximately ten times the revenue—and the IRS, unlike the Inland Revenue, does not have the advantage of a vast unpaid workforce collecting PAYE. Computerisation has a little to do with it — though nothing in Whitehall experience suggests that a revenue computer would cut the workforce by 90 per cent., or even by half. The process is at least five times as efficient as here.

One powerful reason for this is the application of incentives. The U.S. citizen normally overpays tax through the year, and his form-filling entitles him to a rebate. This creates goodwill; it probably also means that those who are only marginally overcharged may decide that the rebate available is not worth the trouble of filing a claim. In Britain we have applied this principle to the lump—the self-employed building tradesman — but to no-one else. It probably does not appeal to the British idea of fair play.

Unfortunately the mind that thinks in terms of fair play can easily turn into a mind that thinks legalistically; an Inland Revenue inspector seems to regard himself as a policeman enforcing the law rather than as an efficient producer of revenue. (It is this legalistic obsession which makes inspectors into such unblushingly efficient poachers in the tax avoidance industry.)

Not officious

What is needed, if we cannot convert our tax system to the U.S. approach, which leaves judgements of cost-effectiveness to the taxpayer, is a new motivation: every tax office and every file in that office should be regarded as a profit centre. The aim should be not to collect the maximum revenue, but the maximum margin of revenue over collection cost. An unprofitable VAT raid on some unhappy small trader who cannot even understand the forms would only be justified if the sum likely to be recovered was substantially more than the cost of looking for it. A loss-making raid would merit a carpeting.

Such a rule, I suspect, would do more to improve public relations, save manpower, and encourage small business than any amount of hassling with the margins of the EEC harmonisation laws, and would reduce the PSBR. The Inland Revenue motto should be "Efficient, not officious;" and profit is the key.

Why good shorts are so hard to shoot

FILM and VIDEO

BY JOHN CHITTOCK

A DIRGE of despair that is becoming familiar in this column concerns the declining standards of the short film. Whereas this unhappiness tended to reflect a somewhat personal view, support is reluctantly spreading, as evidenced by the recent reports of other colleagues writing about entries for this year's British Sponsored Film Festival, which takes place next month in Birmingham.

Some of the recent releases of sponsored films continue to underline the point. Only one flash of inspiration has illuminated the wilderness in recent months: Netlon's lucid, beautiful and persuasive documentary, *The World of Netlon*. This year's winner of the Financial Times Export Award for the film best calculated to promote British exports, it restores one's faith in the dying art of cinema.

Variety

The art orginally developed from a variety of disciplines and philosophies, the former concerned with the grammar of film, the latter with its deeper unconscious influences. Few film-makers to-day even recognise the existence of cinematic grammar, and even fewer care about the philosophical genius of early pioneers like Sergei Eisenstein and Raymond Spottiswoode.

The grammar had much to do with making events on the screen occur naturally, with comfortable and logical coherence. Its absence to-day can be witnessed almost nightly on TV in such elementary faults as "crossing the line": this means that the camera position in filming a dialogue between two people moves over the line between them when shooting the reverse angle view of the second person; the consequence of this is that speaker A appears on screen, say, looking from left to right, and so does speaker B, when logically they ought to be facing each other in the consecutive shots.

The philosophy of film is complex and embraces such subtle effects as the cumulative impact of different images and how, psychologically, they relate in the viewer's mind. It involves the contrapuntal power of music, sound effects, cutting rhythm and subject movement. It has even embraced political ideals as reflected in the symbology of pictures.

Television, especially through its current affairs coverage, is the culprit. Thus in Ash and Lacy's new film *The Single Team*, we have a pastiche of the TV investigative unit exploring the management communication style of a U.K. industrial group. Concepts of leadership and team sprit are offered, but via a disconnected and often lengthy series of snatched dialogue sequences. It doesn't work because a real TV producer would reject the subject as being inherently not interesting enough anyway; to make it interesting, greater manipulation and control might be needed.

Likewise the National Dairy Council's latest, *Food—A Cause for Concern*. This is aimed at adults involved in the education and welfare of children; its purpose is to encourage a responsible concern for children's dietary habits. Up to a point it works because the subject itself is a simple one to tackle and intrinsically interesting. But little credit for this goes to the creative style of the film. And whereas the film might have gained stature through objectivity, its apparent preoccupation with dairy products left me very doubtful.

The simple camera recording technique *can* work if the subject is so powerful as to render creative control an intrusion. An independently made short I have recently seen, by Julius Hogben, takes as its title and subject *Mrs. Goodfellow at the Age of 82*. This South London lady is a spinster who made her living doing embroidery and needlework. She just talks in front of the camera—a compelling raconteur with an archive of memories. A remarkable lady who is nice to meet on film exactly as she is, without obvious manipulation from the film-maker.

The same is almost true of this year's winner of the Grierson Award for the best short film of 1977. Sponsored by the Arts Council and made by David Rowan, the film is about the artist Tom Phillips (and titled the same). The success of this is almost, again, due to the inherent power of the subject who speaks for himself in describing his unusual type of collage art based on the printed text in second-hand books and picture postcards. But in this case the film-maker has had to exercise considerable skill in the use of additional material, even animation, which is unobtrusively structured to relate to the dialogue of Phillips.

Perhaps there are times when it would be better if the film-maker just didn't try at all such as in producing commentary lines like "Holiday places abound—and whatever you want here, there are ways and places to do it." The line comes from the British Tourist Authority's film Small for Its Age, which is about the Romney, Hythe and Dymchurch light railway. Again an interesting subject which might pull in a few tourists, but the film-making has succeeded only in showing warts and all: a flat landscape with a rash of ugly, frontier town buildings, and dull handling of the medium.

Far better is the BTA's other recent effort, aided by pottery manufacturers Josiah Wedgwood, on the subject of *Josiah Wedgwood and the English Potteries*. As an historical account of the man who dominated pottery in the 18th century, it uses some of the poetic power of cinema to enhance the story.

Back to Netlon, however, for the ultimate demonstration of the cinematic art. Although reviewed in this column some weeks ago, before it had won the FT Export Award, it must remain a yardstick for many months to come. The photography does what it should; it shows what the eye needs to see or cannot easily see unaided, and in a compelling and frequently beautiful way. The animation opens a new dimension of understanding in revealing how the Netlon process of plastic net extrusion works. The music enhances, excites and expands the experience. The pace of the film is regulated with the flair of a concert hall conductor.

That is what the cinema should be all about: but future generations may have to rummage in the film archives to experience it.

Good-looking Camden Town should win Craven Stakes

RACING

BY DOMINIC WIGAN

THE CLASSIC trial scene switches to Newmarket this afternoon, where it is hoped that the Ladbroke Craven Stakes can shed a little more light on the classics than Sunday's Prix de Guiche in which Super Concorde was among those eclipsed by the Vaguely Noble colt Gay Mecene.

Eleven are due to line up for the £7,000 Craven and it will come as something of a shock if the winner does not come from Camden Town, Admiral's Launch and Tannenberg.

Certain market leader for this Group 3 event over the Rowley Mile on which the 2,000 Guineas will be run is Camden Town, the 7-1 second favourite behind Try My Best in most 2,000 Guineas ante-post lists.

The 1½-lengths third behind the Irish colt in last autumn's William Hill Dewhurst Stakes Camden Town showed that he had thrived over the winter months when reappearing at Teesside Park on March 31.

There, the good-looking bay Derring-Do colt quickened impressively close home in spite of looking well short of peak fitness, to put three lengths between himself and runner-up Roscoe Blake in a matter of strides.

It is doubtful if the value of that form amounts to much, but there is no getting away from the fact that Camden Town won in the manner of a high-class colt in the making.

I feel reasonably confident that he can outpace both Admiral's Launch, the easy winner of last autumn's Houghton Stakes here, and York's Sanction Stakes winner, Tannenberg.

The one two-year-old event on the card, the Stuntney Maiden Stakes, sees another well-thought-of Michael Stoute juvenile, Twice Rich, in action.

I hope to see this one hold two other locally trained hopes, Beldale Sweetness and Pessu.

NEWMARKET

2.00—Marshal McCloud
2.30—Twice Rich***
3.00—Sea Boat
3.30—Camden Town**
4.00—Persepolis
4.35—Acolyte*

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University. 9.38 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Ragtime. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Trem. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 a.m.). †4.20 Champion the Wonder Horse. 4.45 Take Hart. 5.05 John Craven's Newsround. 5.10 Stopwatch.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 The Feather and Father Gang.
7.40 It Ain't Half Hot Mum.
8.10 The Standard.
9.00 News.
9.25 Play for To-day.
11.00 To-night.
11.40 Parents and School.
12.05-12.10 a.m. Weather/Regional News.

All Regions as BBC1 except at the following times:—

Wales—5.55-6.20 p.m. Wales To-day. 6.50 Heddiw. 7.15 Telthi'r Tir. 7.45-8.10 To-morrow's World. 12.05 a.m. News and Weather for Wales.

Scotland—5.55-6.15 p.m. Reporting Scotland. 6.15 The Scottish Trades Union Congress (report). 6.30 Join BBC1 London for Nationwide. 7.40-8.10 The Good Life. 11.40 History is my Witness. 12.15 a.m. News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 12.05 a.m. Five-a-side soccer. 12.50 News and Weather from Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
11.00 Play School.
2.15 p.m. Other People's Children.
2.30 Having a Baby.
3.30 The Living City.
4.55 Open University.
7.00 News on 2 Headlines with sub-titles.
7.05 On the Rocks.
7.30 Newsday.
8.10 The Schools Prom from the Royal Albert Hall, London.
9.00 Rhoda.
9.25 The Man Alive Report.
10.15 Living on the Land.
11.05 Late News on 2.
11.15 Snooker: Embassy World Professional Championship.
12.05-12.15 a.m. Closedown: John Ryde reads from "Murder in the Cathedral," by T. S. Eliot.

LONDON

9.30 a.m. Schools Programmes. 11.55 Beany and Cecil Cartoon. 12.00 Paperplay. 12.10 p.m. Rainbow. 12.30 Parent's Day. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Racing from Newmarket. 4.20 Runaround. 4.45 Magpie. 5.10 Sportscene.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 The Six Million Dollar Man.
8.00 Rising Damp.
8.30 Armchair Thriller.
9.00 News.
9.30 "The Comedy of Errors."
12.00 Man and Woman.
12.25 a.m. Close: Robert Rietti reads a prayer for the Passover.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Emmerdale Farm. 6.00 About Anglia. 7.00 Challenge of the Sexes. 7.30 Get Some In! 12.00 Police Surgeon. 12.30 a.m. Christians in Action.

ATV

1.20 p.m. ATV Newsdesk. 5.15 Laverne and Shirley. 6.00 ATV Today. 7.00 Emmerdale Farm. 7.30 Cuckoo Waltz.

BORDER

†1.20 p.m. Border News. 2.00 Houseparty. 5.15 Out of Town. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 7.30 Get Some In! 12.00 Police Surgeon. †12.25 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 5.15 The Flintstones. 6.00 Report at Six. 7.00 Treasure Hunt. 7.30 Charlie's Angels. 11.55 Channel Late News. 12.30 a.m. Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 5.15 Challenge of the Sexes. 6.00 Grampian Today. 6.05 Out of Town. 6.15 S.T.U.C. Conference report. 6.25 Cartoon Time. 7.00 Emergency. 12.30 a.m. Reflections.

GRANADA

1.20 p.m. This Is Your Right. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Emmerdale Farm. 7.00 The Bionic Woman.

HTV

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 On the Third Beat (S) (Joins Radio 2). 10.02 John Peel (S). 12.00-2.02 a.m. As Radio 2.

RADIO 2 1,500m and VHF

RADIO 3 464m, Stereo & VHF

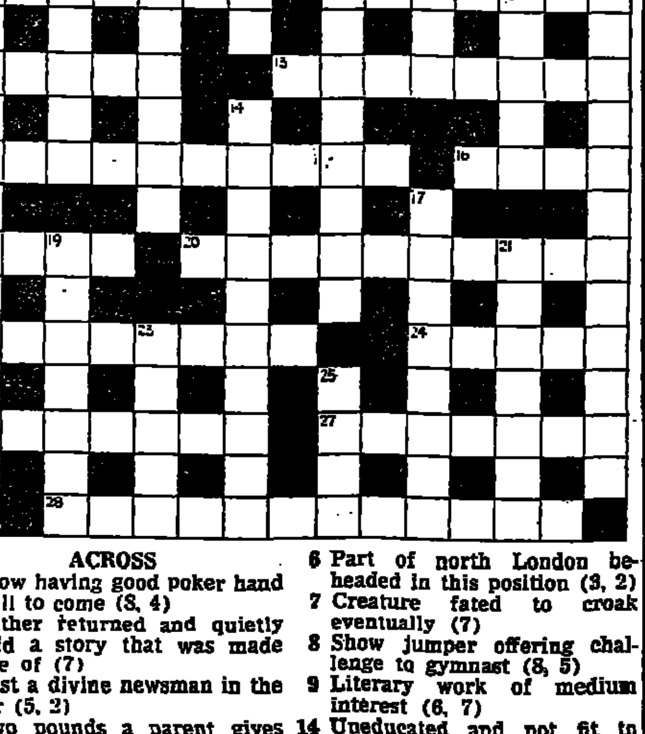
RADIO 4 434m, 330m, 285m and VHF

BBC Radio London 206m and 94.9 VHF

London Broadcasting 261m and 97.3 VHF

Capital Radio 194m and 95.8 VHF

F.T. CROSSWORD PUZZLE No. 3,645



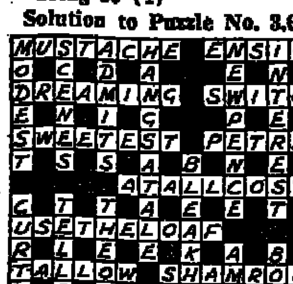
ACROSS

1 Blow having good poker hand still to come (8, 4)
10 Father returned and quietly told a story that was made use of (7)
11 Cast a divine newsman in the air (5, 2)
12 Two pounds a parent gives for animal (5)
13 Tribe go to ancient city with loud noise (8)
15 Resentment driving one to doctor (3, 7)
16 Was conscious of hat (4)
18 Habit to boast about (4)
20 Criminal breeder of fervour (4, 6)
22 Paper saying a few words (8)
24 Behind sailor with another paper (5)
26 Shy heartless combine takes on a plant (7)
27 An orchestra performing in ditch (7)
28 Last moment of longest strike bar one (8, 4)

DOWN

2 Spinners take trouble with part of rigging (7)
3 Lively article one married (8)
4 Objects of worship in the gallery (4)
5 Leaves going to pot cultivator (3, 7)
6 Part of north London beheaded in this position (3, 2)
7 Creature fated to croak eventually (7)
8 Show jumper offering challenge to gymnast (8, 5)
9 Literary work of medium interest (6, 7)
14 Uneducated and not fit to repeat (10)
17 American state put out of countenance by tropical fruit (8)
19 Save up for book (7)
21 German prison adapted for pa and us (7)
23 Siren could be a wash-out (5)
25 Won't run though capable of doing so (4)

Solution to Puzzle No. 3,644



ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office.

OPERA & BALLET

COLISEUM Credit Cards 01-240 5258. Reservations 01-836 3161. ENGLISH NATIONAL OPERA. Tonight & Fri. 7.00 Carmen; Tomor. 7.30 Julietta.

MAY FAIR CC. 629 3036. Mon. to Fri. 8.0. Sat. 5.30 and 8.45. GORDON CHATER "Brilliant" E.N. in THE ELOCUTION OF BENJAMIN FRANKLIN by Steve J. Spears. "A compassionate, funny, fiercely eloquent play." Gdn. "Hilarious." E. Std. "Wickedly amusing." E. News. "Spellbinding." Obs.

MERMAID. 248 7656. Restaurant 248 2835. Alec McCowen's ST. MARK'S GOSPEL. "Simply not to be missed by anyone with ears, a mind or a soul." S. Times.

TALK OF THE TOWN. CC. 8.00. Dining, Dancing. 9.30 Super Revue RAZZLE DAZZLE and at 11 p.m. MADELEINE BELL.

THEATRE UPSTAIRS. Tuesday-Sunday 7.30. SHARED EXPERIENCE in BLEAK HOUSE by Charles Dickens (in 4 parts. In Repertoire).

VAUDEVILLE. 836 9988. CC.

FINANCIAL TIMES SURVEY

Tuesday April 18 1978

LUXEMBOURG

The homely atmosphere which surrounds politics in Luxembourg has its roots in the small population. Although this has been good for political stability, there are dangers that the country's identity will be submerged as greater call is made for labour from outside.

A species in danger

by David Buchan

LUXEMBOURG POLITICS are a personal affair. The size of the country — 356,000 inhabitants of which the 25 per cent. who are foreigners do not have the vote — makes it so. No where else in Europe is such a large slice of the electorate on first name terms with its Prime Minister. As in some Ancient Greek city state, the links between electors and elected are intimate. Each fortnight, for instance, every Luxembourger voter gets mailed a full report of Parliamentary debates free of charge —enabling him (provided he does not consign it straight to the waste paper basket) to check up on exactly what his MP or Ministers are saying or doing. "Democracy by letter-box," Luxembourgers proudly say.

In this scaled-down society, there is a wide consensus on at least the ground rules. With the exception of the Luxembourg Communist Party (which includes some of Western Europe's last unreconstructed Stalinists but which nonetheless polled a decent 15 per cent. in the 1974 elections), no political party wants to throw the EEC institutions out, or take over the booming banking sector, or question the free market economy out of which the Grand Duchy has done very nicely. Industrial peace has reigned for the past 30 years without a single major strike. Maybe, as Prime Minister Gaston Thorn points out, Luxembourg cannot afford the luxury of disputes that wrack its bigger neighbours.

There is of course much sniping, and M. Thorn, who has elections to face in 1979, is a prime target. Certainly, M. Thorn and his Liberal Democrat Party, in coalition with the Socialists, chose an unrewarding time to break the 50 year hold of the Christian Social Party up to 1974. Electoral promises made then by the Liberals, and the Socialists, were blown off course by the onslaught of the steel depression and the real prospect that Luxembourg would have for the first time since the 1930s people without any work at all.

It is not in the least certain that the Thorn Coalition will be returned to power in its present form after next year's poll. There are no formalised opinion polls — perhaps so small a country has no need to take its temperature in this manner— but the Christian Social Party is still the largest party at the national level, and in the October 1975 local elections it won back the power at a local level that it had lost nationally. M. Pierre Werner, the 66-year-old Christian Social leader and now something of the grand old man of Luxembourg politics, reads a lot into these results. But M. Thorn's advisers say they give no clear indicator to 1979, and that the electorate is now only "going through that period of a year before elections when dissatisfaction is at its highest."

Given the narrow ideological span between the three main parties, there are several permutations for a post-1979 coalition. The two biggest parties, the Christian Social Party and the Socialists, with 18 and 17 seats respectively at present, have shared governmental harness before and could well do so again. M. Werner says for his party "all doors are open." The Liberals in the middle can turn either way, as Mme. Colette Flesch, the Liberal Mayoress of Luxembourg, points out. She in fact runs Luxembourg city in coalition with the Christian Social Party. The Liberals, who have 14 Parliamentary seats, tend to find common anti-clerical ground with Socialists on social issues like abortion, but often sympathise with the conservative Christian Socialists on economic matters.

To judge by the criticism levelled at the Thorn Government by the Christian Social opposition, any future changes would be more of detail than substance. For example, M. Thorn is criticised for gadding about too much abroad, speechifying about the state of Europe and even of the world, and devoting too little time to local issues. But this is the price of being small and sovereign: such representational duties do not fall on, say, the Lord Mayor of a medium-size British city.

Interests

Nor does it seem that M. Thorn has actually been neglecting Luxembourger interests. There are few vital national interests—any possible marriage between the Grand Duke's eldest daughter Marie Astrid and Prince Charles is not one of them. This natural lack of partiality in the EEC Council of Ministers is incidentally what makes Luxembourger ministers and officials valuable sources for journalists covering the Common Market. But there is the question of EEC institutions in Luxembourg. Spending by several thousand well paid Eurocrats, whose salaries do not go up and down with the vagaries of the steel market or general economic conditions, provides a valuable counter-cyclical balance in such a small economy. And earlier this year M. Thorn was prepared to make himself look faintly ridiculous in foreign eyes by threatening to block direct elections to the European Parliament, if the parliamentary authorities appeared to be moving the bulk of their 1,500-strong secretariat from Luxembourg to Brussels. The threat seems to have worked, and Luxembourg is now offering a brand new parliament building, at considerable expense, as additional incentive to the parliament to stay put. But M. Thorn has shown himself willing to jeopardise Luxembourg's reputation as a good and docile European to defend what he sees as a "vital national interest," and he seems to have had the support of his electorate in so doing.

On the economic front, Luxembourg has done better than most in weathering the current industrial depression. It now has the great advantage of an inflation rate which this spring was down to 3.3 per cent. on an annual basis. Little of the Duchy's inflation was in any case domestically generated, and it is now two years since the government attempted to control consumer and housing credit. Membership of the "snake" currency joint float, through the tie with the Belgian franc, has drawn benefits: in a low rate of imported inflation from major trading partners, and currency stability in commerce. The "snake" is in a sense a Luxembourger invention, being the only remaining vestige of M. Werner's otherwise discarded 1970 report which called for European economic and monetary union by 1980.

Industrial output, however, has stagnated and the Luxembourger steel industry has been a major casualty, bumping up the number of unemployed. But Arbed, the predominant steel company, has been fighting back vigorously despite its financial losses and is now emerging as the pivot in a series of steel reorganisations stretching from the German Saar through to Belgium. The Government's efforts here have concentrated on easing the unemployment problem, by among other things paying for a compulsory retirement scheme at 57 for steel workers (with some EEC money too), and trying to woo foreign investors in to diversify Luxembourg industry.

Despite the fact that steel has been a drain on, rather than a contributor to, State finances, the Government has been able to keep its borrowing within very reasonable bounds. To its rescue has come the financial sector. Its invisible exports more than cover the deficit on trade and the taxes it pays fill the gap in the State coffers. Controls over the banking sector have been discreetly increased to preserve the good name of the Luxembourg market place, without frightening off any of the 90-odd banks there, whose balance sheets last year totalled some Lux.Frs.2,115bn. ($64bn.) — a feat which even M. Werner who, himself, doubled up as president of Credit Suisse's Luxembourger subsidiary, admits.

To the range of financial services offered by Luxembourg is now added gold. The Government last December repealed VAT on physical transactions in the metal. The aim of the Government and the banking commission here is not to rival the major gold markets of London or Zurich, with their daily gold fixings and large networks of vaults and transportation. Rather, says M. Pierre Jaans, the Banking Commissioner, it is to put Luxembourg on a par with other lesser European gold trading centres and to let banks offer a modest, additional service to their customers.

Recognise

The Thorn Government has been criticised for taking too long to recognise the depth and durations of the present industrial depression, and then, when it did, for going too far. But two institutions it has set up in the last year will probably outlive it. One is the new Societe Nationale de Credit et d'Investissement, which the local banks originally feared would take away much of their traditional export and investment credit business but which only puts the Grand Duchy on a par with all its neighbours' state aid to industry. Second and more important is the "tripartite agreement" of last summer between government, unions and employers, designed to secure labour peace during a time of painful "shake-out" for Luxembourg industry. It has been strongly criticised for being "corporatist" and for by-passing parliament (which is partly true). But though M. Werner claims that less drastic ways could have been found to secure union co-operation, government officials say the "tripartite" institution will be as useful to any future Centre-Right Government as it clearly has been to the present Centre-Left one.

Some issues almost, but not quite, transcend party differences. One such is the Duchy's future energy policy. With no indigenous resources, and faced with the expiry of long-term gas and oil contracts in the next decade or so, the Thorn Government has proposed building a nuclear power plant on the Moselle. But a start on the site by West German contractors has been held up by objections to the whole idea from within the Socialist Party's rank and file; and the government is now looking at possible alternatives. These include buying power from a nuclear plant France proposes to build only six miles upstream from the Luxembourg site. It is also possible the West Germans might build one in the area. The real snag for the Duchy is that both alternatives would mean relying on foreigners for a vital supply.

The political parties make no pretence about their deep differences on abortion. The Government's plan to depenalise abortion, on certain conditions, has also run on to the rocks of strong opposition from the Catholic Church, no mean opponent given the fact that the Bishopric of Luxembourg owns the country's widest selling (about 80,000 daily), the Luxembourger Wort, which must be the only European national newspaper to have a priest as a working editor.

Curiously for such a strong Catholic country, Luxembourg now has a declining birth rate which top Government officials describe as "catastrophic." For the past 10 years, the total number of Luxembourgers has fallen—"we have more coffins than prams" is the sick joke. Luxembourger women have an average of 1.3 children, compared to the statistical replacement of 2.1 per woman. Though the reason is not clear, it is generally associated with the exceptionally high average standard of living to the point where Luxembourger parents are willing to trade off having a second child with, say, a second car or skiing holiday. Up to last year, foreigners in Luxembourg, especially the Italians, Portuguese and Spanish, produced enough children to counterbalance this. In 1977 they did not, and the whole population level dropped.

It is hard to envisage a time when there might be no Luxembourg for the Financial Times to write about. Nevertheless, Luxembourgers feel their national identity threatened if the trend continues. Foreigners make up 24 per cent. of the population, and 35 per cent. of the industrial work force. The very real prospect is of an ever smaller number of native Luxembourgers, migrating to the better paid, white collar banking and service sector, leaving all the rest to outsiders. The Government is looking at long-term means of reversing the present trend. Tax allowances and cash bonuses to encourage breeding can probably not be increased further. For one thing, the ageing population means there are fewer taxpayers to finance this. But bonuses and allowances might be rescheduled more effectively. If not, Luxembourgers may become an endangered species.

LUXEMBOURG II

Riding out the recession

LITTLE LUXEMBOURG has so far ridden out the recession with less apparent discomfort than many of its bigger neighbours. That does not necessarily say much. More cars, bigger houses, and still one of the highest living standards in Europe help conceal stagnation in manufacturing output and a gross domestic product growth of barely 2 per cent. last year and perhaps less this year. Prime Minister Gaston Thorn in his more old Testament moods likes to remind his electorate of the dangers of whoring after false economic indicators and ignoring the country's basic structural problems.

But there are certain simple equations operating in the Duchy's favour. Low or falling inflation in its main trading partner countries has brought Luxembourg's own rate down. A strong currency, inside the "snake" joint float, keeps the import bill from soaring. A booming banking sector has offset its sick steel industry, both in covering the balance of payments and in taxes paid to the state. Moderate borrowings by the state has kept interest rates low.

The main impulse to the economy is from private consumption these days, not from industrial production which last year only increased 0.6 per cent. in volume while construction fell 1.2 per cent. This was mainly due to companies refusing to put any more money into fixed assets, because the residential housing sector is still doing quite well. In fact since 1975/6 the government has taken off the clamps which it had previously applied to housing and consumer credit. The latter has soared, increasing by 24.5 per cent. over 1977. The fact that nonetheless the inflation rate was down to 3.3 per cent. on an annual basis by February 1978 shows how little of Luxembourg's inflation is domestically generated.

"But for historical reasons, there is no reason why with this level of inflation we could not be directly linked with West Germany," says M. Pierre Jaans, the Commissaire Bancaire, and Luxembourg's nearest equivalent to a central bank governor. The actual monetary link is indirect but strong. The Luxembourg franc is tied at parity with the Belgian franc, and both are in the snake tied to the mighty D-Mark. The Belgian national bank, which manages the Belgo-Luxembourg currency, seems determined to keep inside the snake, and Luxembourg, which has three seats on the 10-man Belgo-Luxembourg Exchange Institute has absolutely no quarrel with this. Luxembourg has now followed Belgium in passing legislation to strengthen its armoury against speculators. The powers, which M. Jaans stresses are to be kept in reserve to prevent unwelcome inflows into the Belgian and Luxembourg franc, include suspension of interest on and blocking of accounts. But the powers are double edged, and could equally be used to discourage outflows.

Snake

The Luxembourg case for staying in the snake is in fact stronger than the Belgian. Last year 71 per cent. of its imports came from just two snake countries, Germany and Belgium, which also took 48.5 per cent. of Luxembourg exports. The Duchy no longer has trade surpluses, but at least its deficit seems to have stabilised, staying at between LuxFrs. 8-9bn. both in 1977 and 1976 (Luxembourg trade statistics are frequently difficult to disentangle from Belgium, with whom it forms a complete customs and currency union). The price performance of Luxembourg exports is hardly sensational (rising 0.6 per cent. in value last year to LuxFrs. 66.4bn., though 2 per cent. in volume). This reflects very slack demand not only for steel, 54 per cent. of total exports, but to a lesser degree for plastics and rubber (10.7 per cent. of exports) and textiles (9.2 per cent.). Prices of the much wider range of goods that the Duchy imports have of course risen faster, though feeble internal demand and the strength of the franc have kept their volume and cost within reasonable bounds.

More crucially, invisible receipts earned by the financial sector, which now includes some 90 banks, are enough to cover the trade and put the overall balance of payments into the black (by LuxFrs.10bn. last year). This sector is now very much the golden egg of the Luxembourg economy. Grand Ducal governments have to tread a narrow path between maintaining the informal system of controls that attracts banks to Luxembourg, and making sure hat slipshod banking does not undermine confidence in the Luxembourg market place. Initial fears that Finance Minister Jacques Poos, a former editor of Luxembourg's Socialist paper Tageblatt, might take a more doctrinaire line with the banks have now dissipated. On the other hand, here were unwelcome rumours at the start of the year that some of the German banks in Luxembourg had made considerable foreign exchange losses with the abrupt fall of the dollar. Official checks and published bank results now prove these rumours to be without serious foundation.

Nevertheless, M. Jaans has discreetly been persuading Luxembourg banks to improve the solidity of their operations and management, with the result that over the last year while total banking business grew by 16 per cent., banks' capital and reserve backing rose by 23 per cent. Banks have been encouraged temporarily to forego some dividend payments to their parent banks outside Luxembourg, so that their average ratio of paid up capital to third party debt rose from 3.5 per cent. in 1976 to 3.8 per cent. last year (the legal minimum is 3 per cent.). Parent banks have also been encouraged to make the manager of their Luxembourgh subsidiaries a member of the local board, a move which increases the Luxembourg authorities' legal hold over him, and also to make more use of external auditors (in addition to the normal controls from the Banking Commission).

Luxembourg finance ministers have made the happy error in recent years of consistently underestimating the amount of taxes brought in by the financial sector of the state. This windfall has come in very handy to finance increased public works, LuxFrs.2bn. in 1974 to an estimated LuxFrs.3.3bn. this year, needed to provide employment and counteract lay-offs or short-time working in the private sector. Unemployment, at about 1,000 workers or less than 1 per cent. of the active workforce, is nonetheless at an historic high for the Duchy, and is bound to increase not only because the steel industry has considerably more people to shed but also because of the number of young people coming on to the labour market up to 1984-85. Only after that date will the post-1968 plummet in the Luxembourger birthrate contract the labour market. But despite this counter-cyclical spending, state finances are pretty healthy. For this year, some two thirds of the public capital spending programme will be covered by the surplus on current account, leaving only 3.8 per cent. of the total budget to be financed out of borrowing. This would seem to refute the argument by some members of the Christian Social opposition that the Thorn Government has let state finances go all to hell, though it equally bears out their boast that M. Thorn took over in 1974 from an exceptionally sound base.

It is only partly true to say that Luxembourg labour law makes legal strikes so complicated to arrange that the unions do not bother. Traditional Luxembourger phlegm even among the unions, coupled with the Thorn Coalition's close links with the union leadership, are the other factors making for social peace even during this troubled recession. Wages rises, too, have moderated, rising 9.6 per cent. last year (12.7 per cent. in 1976), and of that 7.2 per cent. was due to the automatic link with the cost of living index.

But the close working relationship with the unions bore its most spectacular result in the so-called "tripartite agreement" made between government, unions and employers last summer and now, to the dismay of the political opposition, passed into law. The basic premise is that the government will continue to use public money to stimulate and diversify the economy, the unions will not strike or block necessary plant closures, and the employers will do their best to keep on investing. It is mainly aimed at the steel industry. But the most interesting feature is the series of measures to be triggered off automatically by set levels of unemployment. For instance, once the level of 1,500 unemployed is passed, then the government is to introduce and pay for a compulsory early retirement scheme (not just for the steel industry as at present). If the threshold of 2,500 jobless is reached, the government is to further increase tax breaks for investors, and in the vaguely worded event of a "manifest crisis," the government has the power to juggle the index to keep wage rises down, block all prices and rents, and prevent any further redundancies.

Planning

Most of this is happily hypothetical as yet, but it is a far reaching kind of advance planning, perhaps only possible in a small and tightly knit community. Certain measures under the tripartite agreement have been taken already, notably a flexible ban on overtime and a temporary ban on any new immigrant labour coming to the duchy, and the creation of the Société Nationale de Crédit et d'Investissement. The SNCI, formed in January with a start up capital of LuxFrs.1bn. and some private participation, has three roles. First, it will state participations in certain companies, and already has done so in the "lame duck" case of the Rodange steel company to the tune of LuxFrs.200m. M. Raymond Kirsch, the top finance ministry official who now heads the SNCI, says the approach here will be "empirical, not ideological." The SNCI has no aims, nor indeed resources, to take over the commanding heights of the Luxembourg economy, and is already turning away more requests for intervention than it is granting.

Second, the SNCI will loan cheap investment credit by financing part of new projects at 4.5 per cent. (some four points below prevailing market rates). This, Mr. Kirsch says, will be channelled particularly to small and medium sized businesses, and he point out that the SNCI will be "sharing some of the risk, by putting up some of the principal, as well as subsidising the interest." So far some 20 credits of this type have been granted to a total value of LuxFrs.80m. Last, though the SNCI has not yet started business in this field, it will provide export credit—within the new OECD guidelines on export credit, Mr. Kirsch assures. All of which is designed to put Luxembourg companies on something of an equal footing with their foreign counterparts.

D.B.

Events in steel

IT MAY BE SOME TIME before Europe's steel industry makes the structural changes needed to put it on an competitive footing with its non-European counterparts. But this year may well see in that steel making belt which stretches from southern Belgium, through Luxembourg, to the German Saarland, the foundations laid for its future in the 1980s. At the pivot of this process is Arbed, the Luxembourg steel company, big in European terms and enormous in Luxembourg terms, accounting for 90 per cent. of the Grand Duchy's crude steel production and also its biggest single private employer.

Some of the changes are already taking place. Arbed has played the major part in saving Luxembourg's only other steel company, Rodange Athus from extinction, taking the biggest single private shareholding in it with the aim of integrating the Rodange mills in with its own operations inside the Duchy. With the same aim in mind, Arbed has also earlier this year increased its stake in the Saar. In addition, the company is along with the Luxembourg Government now talking to the Belgian companies and Government about long term co-operation in production and investment between the two countries.

Arbed is looking to the future precisely because the present is so bleak. The company is now making thumping losses—it has just reported a LuxFrs.4.5bn. loss for last year or slightly more than the combined losses of 1975 and 1976. For the third successive year it has not paid a dividend. Arbed's ratio of debt to own funds may not be as alarming as that of some French and Belgian companies (quite apart from nationalised companies like British Steel), but clearly it cannot continue to shoulder this scale of operating loss, coupled with an ambitious investment programme, indefinitely.

A state bail out, as both government and company officials regularly point out, is not possible given the disparity between the size of Arbed and that of the duchy. All the state gives the company is virtually free use of the small Luxembourg railway network, a generous but not terribly effective gesture to a company with distant export markets. Arbed crude steel production fell last year by another 6.5 per cent. to 3.78m. tonnes, with a somewhat smaller drop in finished and rolled products—the difference being accounted for by drawing on the company's "steel mountain" stocks. There has, say Arbed executives, been a pick up in prices and orders since the start of this year, which they put down to the EEC Commission's new system of import protection and minimum prices on the internal market. But similar hopes of a sustained end to the post 1974 steel depression have been raised and dashed before, and Arbed in any case faces two special handicaps.

Given the exiguity of its home market, Arbed depends more than any European company on exports. Markets outside Europe are becoming harder and harder to get into, with for instance the new "trigger price" system of protection introduced in the U.S. by the Carter Administration and the general rise in the Third World's own steel capacity. Even inside the EEC, Luxembourg steel's most important export market (72 per cent. in 1976), the depression has brought on a creeping, unofficial (because in strict terms illegal under the Rome Treaty) protectionism.

The second handicap for Arbed is the political and social impossibility for the company of laying off redundant steel workers to match the fall in production in the way that a smaller fish in a bigger national pond could. Arbed still employs nearly 20,000 in a national active workforce of less than 150,000. The fact that

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Banks still the major mainstay

INTERNATIONAL banking has grown into a major economic force in Luxembourg. The Grand Duchy now boasts more than 90 separate banking establishments making the industry, after steel, the biggest single employer accounting for some 4 per cent. of the national workforce. In any one year the banking industry can expect to contribute something like a tenth of the national taxes.

Against this background it is becoming increasingly obvious that the pressures on Luxembourg to keep its banking "freedoms" in step with the more rigid systems applied elsewhere in the financial world are not wholly external. And that as a result the Luxembourg authorities are themselves anxious to be seen steering a banking course as close as possible to a "compromise within a framework that maintains our national sovereignty in this respect."

In recent months it has become clear, for example, that the Grand Duchy's relationship with West Germany is far less strained. Bankers are now beginning to describe the state of play between the Commission Bancaire and the Bundesbank in terms of a "mutual approach to a common difficulty." At the same time a number of fiscal measures in the governmental pipeline—aimed mostly at easing the tax burdens on the capital markets—should soon remove some of the internal constraints upon the banking system.

On balance, the consensus view among bankers is that Luxembourg is not about to lose its place among the top handful of major international capital markets. The international financial community probably has as much need of the sort of controlled "offshore" capital market that Luxembourg has become as Luxembourg has of the international financial community.

Business—especially in Euromarkets which after all is really what Luxembourg is all about—is perhaps less brisk than it was during the opening months of 1977 (last year as a whole saw the global volume of outstanding Euroloans rise by some two-fifths) and banking margins are currently very low. But there is still plenty of optimism in the air.

The rise of Luxembourg as an international banking centre stems directly from the rapid development and expansion of the market for Eurocurrencies that occurred in the 1960s. It was in 1963 that the U.S. authorities imposed Interest Equalisation Tax and thus effectively stopped many foreigners from tapping the New York capital market for funds. This led to the invention of the Eurobond and to a capital market in the vast and growing pool of dollars held outside America.

At the same time the German authorities were doing their best to crack the problem from the opposite end of the monetary spectrum. They needed to curb capital inflows, and in implementing a 25 per cent. tax on non-resident holdings in DM bonds they effectively encouraged a capital market in foreign holdings of the Deutschemark.

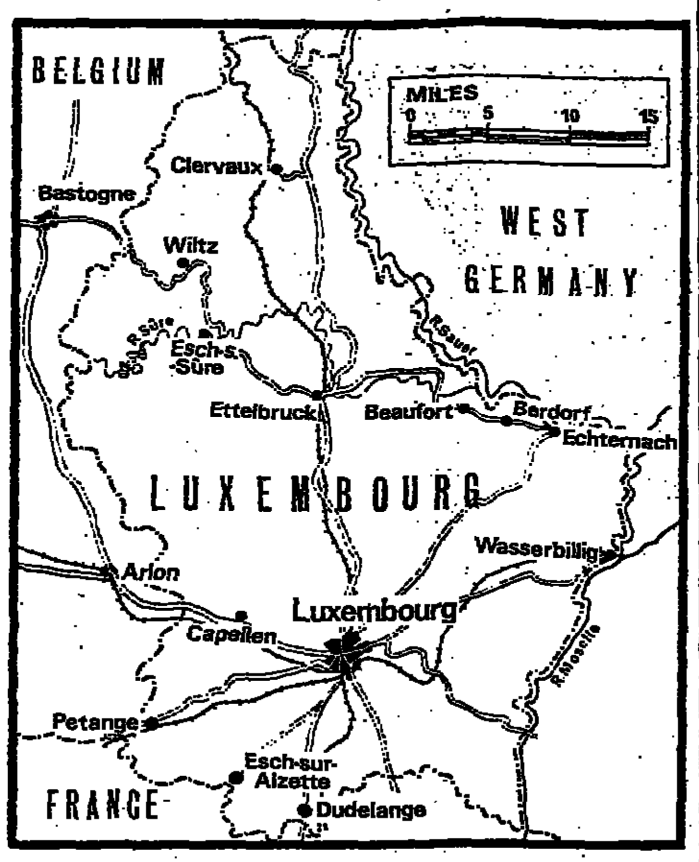
It is in this latter market for Euro-DM that the Grand Duchy has most specialised in. To-day as a result there are something like 20 separate West German banking houses operating in Luxembourg and it has been estimated that these account for some 50 per cent. of the banking business in the country.

Successive years of high liquidity coupled with a rigid Bundesbank controls on the sort of lending that can and cannot be made, have forced the German banks to seek outlets for their money away from their domestic arenas. Luxembourg with its close geographic proximity and linguistic ties—not to mention banking "freedoms"—was an obvious choice. Once the trend had started it quickly developed into something of a headlong rush, and as a result Luxembourg has become the home of the Euromarkets second most important currency.

Regime

Luxembourg's liberal banking regime in terms of the level of financial information required by the authorities is enhanced—in the eyes of foreign bankers—by an attractively high debt to asset ruling and a favourable liquidity requirement. The permitted debt-asset ratio in the Grand Duchy is 33 per cent., while if the requirement that 30 per cent of assets must be in liquid form—in instruments of one month's term or less—is relatively steep, the deployment of such liquidity is left entirely to the discretion of the individual bank.

At the last count Luxembourg had perhaps 30 per cent. of the total world activity in Euro-DM business with many German banks making no bones about the fact that they are substantially involved in what, over the years against a spiralling DM currency value, has become a lucrative foreign exchange business. Some German banks have developed interests in other areas like portfolio management for clients outside Germany plus a certain amount of bullion dealing. But it is probably true to suggest that most of the German banks operating in Luxembourg have taken lending as their principal field of activity.



The European domination of the Luxembourg banking scene at the expense of the Americans became absolute in 1975 when the Germans first overtook the Americans in the number of banks in Luxembourg. To-day German and Scandinavian banks between them account for more than double the number of U.S. banks operating in the Grand Duchy.

This situation arises partly from a noticeable retreat in recent years by the American community—a retreat which appears to be motivated on two fronts. First, London would seem better placed to satisfy U.S. needs for a real international banking operation in Europe. Secondly, where U.S. needs for a so-called "brass plate" operation arises Nassau is more convenient for matters like tax and reserve requirement avoidance than Luxembourg.

The most positive development in American banking in Luxembourg seems to be towards portfolio management. In the wake of the Credit Suisse debacle in Italy (at the Swiss bank's Chiasso branch), several U.S. banks are now claiming to have had a number of enquiries in this field of service. The advantages of Luxembourg for this kind of operation could be substantial. With its holding company and investment trust legislation the Grand Duchy has long been a port of entry for portfolio investment funds.

This is much more the case in Luxembourg than, say, in London and if the moves by the U.S. commercial banks into the securities business were to gain substantial ground, Luxembourg could prove the place for private client accounts to be handled.

Jeffrey Brown

Steel

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Arbed's present workforce is openly admitted to be at least 4,000 too many therefore takes on the proportions of a national problem, and the way that government, unions and the company have sought to tackle this is also instructive of the way people in a small community can pull together to achieve something that would lead to social warfare in a larger country.

The steel problem was what the government, unions and employers all had in mind when last summer they reached their "tripartite agreement." As it affects steel, the bargain thereby struck was as follows: the government would finance a compulsory early retirement scheme for steel workers over 57, and use public money further to try to diversify the economy out of steel; the unions would not block the closing of outdated steel plant by for instance breaking the Duchy's proud record of having no strikes for the past 30 years; and Arbed would increase new steel investment (creating very few new jobs admittedly), while at the same time undertaking to do its utmost not to lay off any workers without another job to go to, and in close co-operation with the government to diversify into downstream steel activities and out of steel altogether into both downstream and non-steel activities.

Arbed last pushed its steel investment, which never exceeded LuxFrs.3bn. even in the good years before 1974, up to LuxFrs.4bn. last year, and the same is forecast for this year. The money is being mainly spent on a new 11-metre blast furnace, with the sums involved being raised in public and private loans in Germany, Switzerland and Luxembourg itself. Second, Arbed has created what it calls an "anti-crisis division" inside the company. This followed a hard look by the company at all those jobs not considered essential—some 3,000 at the present time. This reservoir of surplus labour has up to know been variously used to perform certain public works for the government and odd jobs for the company itself. But the basic aim is to offer this labour, retrained if necessary by Arbed itself, to potential foreign investors thinking of setting up in Luxembourg—along with assistance from Arbed in the form of capital, industrial sites and technical help.

This was the bait which Prime Minister Gaston Thorn and the Arbed president M. Emanuel Tesch put before a number of companies on their trip to the U.S. just before Easter. The pitch of Arbed and the Government is aimed not only at steel-related companies but almost any manufacturing enterprise which could use Arbed's facilities to make a start in Luxembourg. The U.S. seems to be the main hope chiefly because Luxembourg has had more experience with American investors than any other foreign investors, and that experience has been good. It must be added that Luxembourg seems to be fully aware that it is swimming against the current trend, created by the falling dollar, for Europeans to invest in the U.S. instead.

But Arbed is not leaving diversification entirely to those elusive foreign investors. With the creation of its Mecanarbed division three years ago, its downstream steel activities have considerably increased. The biggest Luxembourg engineering company, Paul Wurth SA, now comes under this division and is a specialist particularly in steel blast furnace equipment and, among other things, metal bridges, with a respectable turnover of some LuxFrs.1.5-2bn. a year. Drawing also on its German engineering companies, Mecanarbed is beginning to provide turn key steel plants for the Third World, improbably large though this sort of project might seem for a small country like Luxembourg to undertake.

The Arbed group is still adding to its interests outside Europe, which include Brazilian iron ore and West Virginia coal, by announcing a wire rod joint venture in South Korea earlier this year. But the real action is much nearer home. In the Saarland, Arbed has strengthened its financial stake by taking 100 per cent. in Roechling Burbach which in turn has a share in Neunkircher Eisenwerk. The deal had the blessing of the Bonn Government, pleased that Arbed reckons it can turn certain strengths of the otherwise relatively sick Saar steel sector to advantage by integrating them more closely with Arbed's Grand Duchy operations.

Though the Rodange Atbus case was thrust upon Arbed last summer by the Luxembourg Government, anxious to save these jobs, the rationale of Arbed with Rodange is exactly the same as with the Saar. The Rodange blast furnaces will be closed down, and its future activity will be mainly that of rolling Arbed crude steel. Arbed believes that though Rodange may prove a short-term financial drag, longer-term benefits will follow. The new ungainly catchwords are "specialisation, restructuring, rationalisation" and so on—in short, a tidier division of labour between Europe's steel companies.

This could easily smack of the steel cartels of the 1920s and 1930s and which the language of the Rome Treaty expressly forbids. On the other hand, the present EEC steel plan of EEC Commissioner Etienne Davignon is in many ways a producer cartel, with voluntary production quotas and fixed prices, but with the crucial difference that it is run by the Commission on a European scale. In addition, the EEC Commission has for some years sanctioned the grouping of German steel producers into two rationalisation groups (one for the north, one for the south) to plan their future investments. Arbed is part of the southern group because of its Saar interests.

Arbed may soon be part of a similar arrangement with Belgium. It is already part of a study by the U.S. consultants, McKinsey, on the future of Belgo-Luxembourg steel. The logical conclusion from this report, expected in its final form this month, might be a rationalisation group between Arbed and the Belgian steel companies to plan future investment and maybe production so that their interests do not clash. Indeed talks to this end have already started under, too, the aegis of EEC Commissioner Davignon.

D.B.

Trying to keep the EEC institutions

ACROSS THE deep gorge from Luxembourg city cluster a number of EEC organisations on the Kirschberg Plateau. In the middle 1960s Luxembourg lost the "high authority" of the Coal and Steel Community, when it was decided to amalgamate all the executive bodies under the three treaties—the EEC, Euratom, and the ECSC—and put them all in Brussels. In return, it was agreed that Luxembourg should keep or get any existing or new Common Market institution of a legal or financial nature. So, as well as keeping that part of the old Coal and Steel authority that deals with finance and investment, it has the Court of Justice, the European Investment Bank and the EEC's new external accounting body, the audit court. In addition, of course, Luxembourg houses the large secretariat for the European Parliament and provides the home for about half its full sessions each year.

The EEC institutions are important for two reasons. First, for the political kudos they confer upon the Duchy. They also form an important ancillary tourist attraction. Second, the presence of several thousand well-paid Eurocrats injects a regular and substantial level of spending into the Duchy's small economy.

Therefore, the slightest threat that any of these institutions is about to depart has Luxembourg politicians aroused and standing on their dignity and treaty rights. The only immedate threat concerns the Parliament and its staff, who have increasingly found their nomadic existence irksome and, some Euro-MPs would claim, downright ridiculous. The problem stems from the fact that a single seat for the European Parliament has never been agreed. This decision can only be taken, according to the Rome Treaty, by "Governments of member states." Until the governments do so—and they show no sign of wanting to add this prickly problem to their plate of woes—the Parliament is condemned to carry on its triangular peregrination.

Sessions

The dozen or so full sessions a year are supposed to be held in Strasbourg, though up to half now take place in Luxembourg: by a 1965 treaty Luxembourg is the seat of the 1,500 strong Secretariat: and by increasing and convenient practice, committee meetings are generally held in Brussels, within easy reach of the Commission and council officials. Many Euro-MPs, particularly late arrivals like the British who feel they were not party to the original set-up, complain about the waste of money and time travelling. So does the Secretariat, some 500 of whose staff uproot and travel down to the Strasbourg sessions, with documents packed into accompanying pantechnicons—and a lesser exodus takes place for Brussels committee meetings. Some parliamentary officials spend as many as 100 days outside their Luxembourg base, and frequent are the grouses by MPs about poor travel links with Strasbourg and Luxembourg (a complaint Luxair strongly refutes).

Many Luxembourgers, Mme. Colette Flesch, the Mayoress of Luxembourg city among them, now regret that right in the beginning, in 1958, the Duchy did not make a stronger pitch to have all the Parliament's activities sited there. But at that time, Luxembourg was not at all confident that its then underdeveloped service sector could handle this sort of influx. Now it feels it could, but the pass may have been sold. Certainly, a growing number of MPs feel they should have a single workplace, but also feel that that city should be Brussels, "where the rest of the action is."

The catalyst, which has sharpened the dilemma, is the imminence of direct elections to the European Parliament—now to take place between June 7 and 10, 1979—which will double the number of MPs from the present 198 nominated MPs to 410 directly elected ones—more if and when Greece, Spain and Portugal join the Community in the 1980s. This quite literally creates a space problem in all three centres for the Parliament.

The squeeze is worst in Brussels, where in any case the Parliament's offices lease comes to an end next spring. So the Parliament has been looking at various sites in the Belgian capital—one of them so large that it gave the two other interested parties, the Luxembouger and French Governments, the idea that the Parliament, despite its statements that it was not trying to "prejudge" an intra-governmental decision on a single site, was intending to shift completely to Brussels.

Modest

Within the last month, this fear has been soothed by the Parliament's decision to choose a more modest Brüssels site. But not before the Luxembourg Government has pulled out all the stops. The most dramatic was its threat, in conjunction with the French Government, to block the setting of a new date for direct elections at the recent EEC Copenhagen Summit. In the event, the Parliament gave way on the Brussels real estate issue, and the threat never materialised. But the Thorn Government has also prepared what it believes to be an additional incentive. Last year it called in the French architect of the 1976 Montreal Olympic Stadium, and last January a plan for a 600 seat hemicycle and office complex was sprung on an unsuspecting public. Greeted as "Mr. Thorn's ski-jump" and the "Leaning Tower of Luxembourg," this extraordinary edifice would be financed by the banks. Mr. Thorn's officials say they have had offers from 10 different consortia to do this. The Luxembourg state would guarantee the rent for the building which might cost as much as Lux.Frs.4bn.

But before work is started, the Government wants an assurance that the Parliament is not about to depart the Duchy for good. That is the sticking point. Many MPs want no deal done with Luxembourg which would bind the hands of their directly elected successors. The interest of Luxembourg is obvious, and its financial gamble is big. But in the meantime, pending an eventual intra-governmental decision on a single site, the Parliament is forced to expand on all three fronts. Not that the cost of this would be directly borne by the Parliament. Like Luxembourg, the city of Strasbourg has also offered to improve and expand its facilities there. But bigger buildings mean bigger rents for the Parliament to pay.

One institution which shows every sign of expanding and reinforcing its position—including building itself a brand new home on the Kirschberg—is the European Investment Bank. With its quiet, unassuming manners—it does not for instance advertise for business in order not to be seen to be stealing clients from commercial banks—the EIB often goes unnoticed by the general public. Not so by EEC governments, which are its political masters along with the EEC Commission. At this month's Copenhagen Summit, the heads of government decided to double the Bank's subscribed capital to some 7bn. European Units of Account. This will allow the Bank to give loans and guarantees of up to 17bn. EUA (£11.39bn.) (250 per cent. of subscribed capital is the rule), in recognition of the reputation that the EIB has built up since 1958 of choosing projects which are both commercially sound and economically and politically important to the Community and its member states.

Last year the EIB granted 1.57bn. EUA in loans—a 23.5 per cent. increase over the previous year. Given the political push from EEC governments, to the Bank's operations, EIB executives expect the growth to be maintained. The Luxembourg based Bank has in addition been given by EEC ministers the job of disbursing any new money raised on the capital markets under the Brussels Commission's proposal to borrow up to 1bn. EUA, on the Commission's name. It is the Bank's estimate that close to 20,000 jobs were directly created or safeguarded by the different investments made by the Bank in 1977 alone. The priorities of the Bank can be seen from a rough breakdown of its 1977 loans. Infrastructure projects of all kinds took 975m. EUA, and this included energy (nuclear, oil and gas), electricity grids, down to sewage schemes. These are held to be of common interest to the EEC, either to one or more than one of its member states, or to the Community in that they reduce its dependence on outside forms of energy, for instance. The European steel industry, in its painful attempts to modernise, got 197.5m. EUA last year.

The EIB lends an increasing amount of money outside the Community, in furtherance of the EEC's aid policy, under for instance the Lome Convention, or to the Community's Mediterranean associates or to applicants for EEC membership like Greece and Portugal. These loans are often accompanied by interest rate subsidies paid out of the EEC aid budget. But inside the Community some 70 per cent. of the loans are made to Ireland, the U.K. and Italy—the three member states with the most serious regional problems. Trying to right these regional imbalances is the other main goal of EIB lending policy.

The EIB, as its executives often point out, is not a philanthropic organisation and has to cover its borrowing costs. The demand by industry for its loans has been slack in recent years due to the current industrial depressions. But last year, the Bank reports with evident gratification the level of its industrial loans increased by 43 per cent., many of them to medium sized businesses whose operations tend to be more labour intensive and therefore do more to soak up unemployment.

The Bank has in the past often found it hard to reach this smaller category of customer. The EIB mainly lends in foreign currencies. It would serve no useful purpose to lend sterling which a British bank could provide to a U.K. company, or lira to an Italian company. It sees its role as complementing the European capital markets by going outside the EEC for its borrowing.

Demand

Prominent among the remaining EEC institutions in the Duchy in the August Court of Justice, handing down community law on tablets of stone to the frequent fury of erring member states or European companies. But there has been one important new arrival this year—the new Audit Court, designed to tighten up the external accounting of EEC budget expenditure. Replacing the part time Audit Board, the Court has nine members nominated by each member state, including Sir Norman Price, a former head of the Inland Revenue from the U.K. and M. Marcel Mart, the former Luxembourg Finance Minister who resigned to take a seat on the Court's bench. With more staff and greater scope in carrying out audits (including spot checks in the member states), it is hoped that the Court can bring a new rigorousness to the examination of how EEC money is used, in particular the 70 per cent. of it which still goes on agriculture. Certainly, the Parliament hopes so and plans to make use of the court's services to making the Commission more accountable.

D.B.

Making money in the air

BANKS ARE NOT the only Luxembourg institutions to have a world-wide impact. The Duchy is also the base of Luxair and Cargolux. What is more, both airlines make money, no mean feat these days. Luxair, which now runs both scheduled and chartered passenger flights and is also involved in tour operations, made some $2m. on a 1976 turnover of Lux.Frs.1bn., and employs some 700 people. Cargolux, started only seven years ago, now employs 500 people in the Duchy, and already has a turnover twice that of its foster parent — though profitability for the freight airline is not yet as high, given the need to finance this rapid expansion.

Both ventures have proved commercial successes. But, as the 45-year-old M. Roger Sietzen, who as effective founder of both operations doubles up as managing director of Luxair and president of Cargolux, points out, lucre was not the original motive. The Luxembourg Government in the early 1960s wanted to improve the travel links between Luxembourg's EEC institutions, notably the Parliament and also the Coal and Steel Community (which until 1966 was seated in Luxembourg separately from the Brussels Commission), and the capitals of the other five EEC member states. By cajoling and twisting a few arms, it got some bigger private companies to come in on the deal, so that to-day Luxair is owned by Banque Internationale, Banque General (the two big private local banks), Caisse d'Epargne d'Etat (the state-owned savings bank), Arbed and Radio-Tele-Luxembourg — each with 15 per cent. and the Government taking the remaining quarter of the equity.

Connections

Regular connections are, then, the chief interest of the Government which appoints a commissioner to the Luxair board. But they lose the airline money, which the Government has been forced to stump up. It was therefore in both the Government's and private shareholders' interest that Luxair branch out into somethink more profitable. In 1967 it went into the charter business, a money spinner, and in 1973-74 it started its own tour operation business. This last has now been extended so that Luxair-tours now sell package holidays even to those destinations which the airline does not reach. For instance, Luxair now sells tours in the Seychelles to people flown there by British Airways.

The successful result of this diversification is that Luxair, which lost money for the first ten years of its life, has made a steady profit since. It carried some 300,000 passengers last year, with a load factor of "close to 60 per cent." over the year. This compares well with other airlines, M. Sietsen says despite the fact that in winter short haul flights are often less than half full. The Luxair fleet presently consists of two Boeing 707s, two newly arrived Boeing 737s, two Caravelles which are being phased out and three F-27s.

Luxair is not a member of the International Air Travel Association (IATA), the cartel which fixes scheduled flight prices and market shares. But M. Sietzen claims that Luxair is an IATA member in all but name. The only difference is that on Luxair the fringe benefits are free. "We could join IATA to-morrow, and the only change to the customer would be that we would charge him for his in-flight whisky."

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LUXEMBOURG V

Wines among the best

FOR reasons of size, apart from any other considerations, the agricultural output of Luxembourg does not have much impact on EEC markets. The Grand Duchy's 2,600 sq. km. do not include much good farmland—many of them are taken up by the rolling, forested hills of the Ardennes and much of the rest consists of hill farms, requiring special aid from the EEC.

Despite determined attempts since the second world war to increase the size of farms, holdings remain small—the average Luxembourg farm is still less than 25 hectares, and the Grand Duchy has a long way to go before it achieves self sufficiency. It currently produces around 9,600 tonnes of beef a year, for example, 8,400 tonnes of butter, 8,400 tonnes of pork, 13,200 tonnes of milk powder, 24,000 tonnes of wheat flour and around 780,000 hl. of beer.

But the constraints on quantity do not affect quality and the country is noted for the excellence of some of its products—its asparagus, for example, is eagerly awaited each year throughout the community and its wines are in a class of their own.

Luxembourg wines are not well known internationally, mainly because they are not widely exported. Of the 130,000 hl. or so produced annually, about 55 per cent. is held for domestic consumption, the rest being exported mainly to Belgium, and to a lesser extent to Holland and Germany. The very best wines rarely leave the country—they tend to be snapped up at auction by Luxembourg restaurateurs who often buy up entire lots of those wines receiving the highest classification.

Such a small market is, of course, easy to corner. The area given over to vineyards is only about 1,200 hectares concentrated in a belt about 26 km long and 300 to 400 metres wide, running along the Moselle River, mainly on the south-facing slopes. Moreover, the Luxembourg section of the Moselle Valley, being at the northernmost limit of Europe's wine-growing regions, is highly vulnerable to late frosts which occcur two or three years out of each decade, and which have been known to wipe out the entire harvest. The impact of weather on total output is reflected in the fluctuations between 100,000 and 240.000 hectolitres over the past decade.

Estates

Most of the 1,600 or so holdings are small family-run estates—half of them are incorporated in small mixed farms on which the vineyard is merely a sideline. The average vineyard is less than two hectares, and about 12 per cent. are smaller than 0.1 hectares.

The wines are, in general, light, dry and fruity, with a strong bouquet and an alcohol content of 10 to 11.5 per cent. But each has a distinct character and, it seems, a distinct market. Up until the first world war, about 95 per cent. of the winegrowing area was planted with the elbling grape variety which enjoyed great popularity on the German market. However with the formation of the Belgo-Luxembourg economic union, wine exports to Germany dropped sharply and winegrowers were forced to adapt to Belgian tastes. These showed a marked preference for the rivaner variety, a high-yielding cross between the riesling and sylvaner grapes, which now accounts for just under half the planted area and slightly over half the volume of wine output. Elbling has dropped back to around 25 per cent. followed by auxerrois, riesling, pinot blanc, pinot gris and traminer.

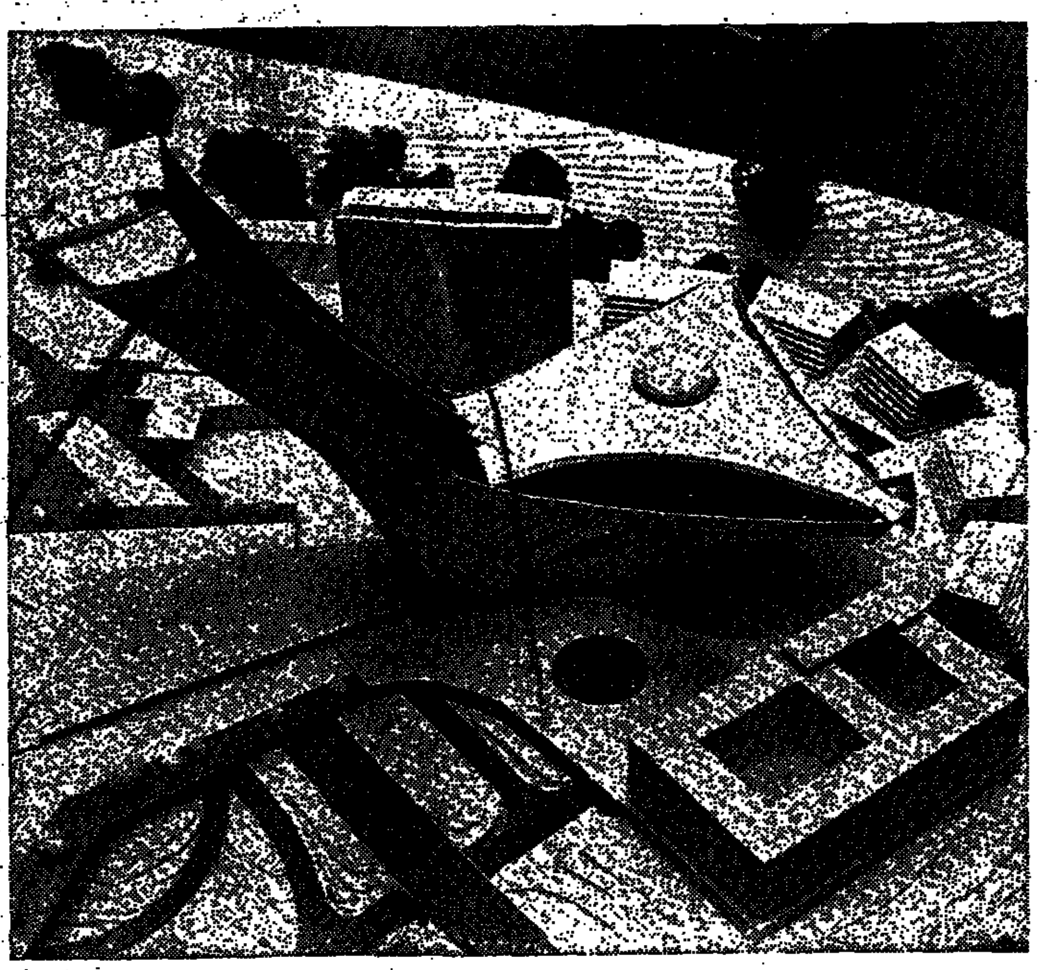
Marketing is tightly organised by an association of co-operative societies, to which almost all Luxembourg winegrowers now belong, and is strictly supervised by the government through its administration of the national trademark.

The government classifies all wines before they are released on to the market in order to encourage production of high quality wine. Only the very best receive the classification "grand premier cru." In 1976, it was awarded to 9.6 per cent. of the total output but this appears to have been exceptionally high—usually the figure is around 2 per cent. or less. Of the rest produced in 1976, 2.7 per cent. were classified "premier cru," 2 per cent. "vin classe" and 42.2 per cent. simply "marque nationale." The remaining 43.5 per cent., it seems, was not up to scratch and had to be sold as "vins de table" without the national trademark label.

Each wine is allocated a number which must appear both on the producer's label and on the national trademark label, providing a check against possible fraud.

The system appears to have been successful in raising the general standard insofar as the number of wines awarded the national trademark has risen steadily since its inception in 1935. It does have drawbacks, particularly for the smaller winegrower for whom a bad year and a failure to secure a high classification may spell financial disaster. But in a small industry which puts an extremely high premium on quality this, it seems, is a necessary evil.

Margaret van Hattem



"The Leaning Tower of Luxembourg"—the model of the new European Parliament building in Luxembourg which could cost as much as Lux.Frs.4bn. to build.

Money CONTINUED FROM PREVIOUS PAGE

he says. For the rest, Luxair obeys IATA rules on fares, baggage (no extra weight allowed free on Luxair) and so on. This has to be done, M. Sietzen says, because of Luxair's integral connections with all other European carriers. He claims the proof that Luxair is not regarded as "pirate" by its counterparts is that the airline is accepted as part of the IATA clearing house on fares.

Haven

Luxembourg, however, is certainly a haven for other non-IATA airlines with less scruple for the cartel's rules, such as Loftledir, the Icelandic airline, International Air Bahamas and International Caribbean Airways. The heyday for these operations was when IATA fares still ruled over the busy North Atlantic routes. This, as we all know with Freddy Laker and his Skytrain, is now no longer the case. As a result of this new competition the use of Luxembourg as a cheap way of getting to the U.S. and back has declined. Traffic through Luxembourg's airport fell some 15-20 per cent. in 1977, and this affects Luxair indirectly. It runs the airport administration, duty free shops and so on.

Luxair has proved it *can* stand on its own, but there would be considerable benefits in joining forces with Sabena and KLM, the Belgian and Dutch carriers, as was suggested in a detailed study made a couple of years ago by the U.S. consultants, Mckinsey. Commissioned by the three governments of the Benelux, largely for political reasons but also as a possible solution for the continuing losses of Sabena, the study suggested a merger along the lines of SAS, the joint Danish-Norwegian-Swedish airline. This, says Mr. Sietzen, "would have been ideal," but the political obstacles, such as deciding where the operational and personnel cuts would fall "are insurmountable." Luxair would benefit to a smaller extent—on its northern Europe-Mediterranean routes — from such a rationalisation. But M. Sietzen reckons Luxair would not pose a problem if only the two big carriers, Sabena and KLM, which stand to gain substantially from a complete pooling of their intercontinental flights, could agree among themselves.

One day, M. Sietzen claims, the three airlines will have to co-operate between themselves or with others, if only to meet the challenge of the new national carriers from the Third World and the supersonic age. Concorde flights would be ridiculous between Brussel and Amsterdam.

M. Sietzen says he founded Cargolux "on my own concept of moving into money making projects." Mainly because of the lack of Luxembourg interest in the venture, Cargolux's structure is quite different from that of Luxair. Set up in 1971, it is owned by Luxair, Loftleidir, and a Swedish shipping and freight company, Salenia, in equal parts. To Cargolux, M. Sietzen says, Salenia brought its freight handling and market experience, Loftleidir its knowledge of cargo aircraft, and Luxair the organisation. Early experience showed that there was no money in light freight on short hauls, and thereafter Cargolux has come to specialise in heavy or special loads to distant destinations, particularly Africa, the Far East and Latin America. Its present fleet consists of five DC8-63s and three CL44s, and it has just decided to buy its first Boeing 747.

With the logo "you have it, we'll fly it," Cargolux has made a speciality of difficult or one-off loads, such as 25-metre Christmas tree to Hong Kong or Formula One racing cars and in addition to passengers such as dolphins and crocodiles, it has carried kangaroos from Sydney to Nigeria and elephants from Bangkok to Bremen.

D.B.

هكذا من الأصل

Food and drink for tourists

LUXEMBOURG IS something of a mouse that roars. Its partners in the EEC often think so, especially when its prime minister Mr. Gaston Thorn is making one of his grandiloquent appeals for European unity or expounding his plans for Europe in the world. What right, they say has a state representing only 250,000 nationals to call itself a country, to claim an equal right to be heard alongside its big, adult neighbours, France and Germany. But Luxembourg is not unhappy with its Ruritanian image—on the contrary, it does a great deal to foster it, especially when it comes to promoting tourism.

The Grand Duchy, re-created by the Congress of Vienna in 1815 as a buffer between France and Germany, was able to survive as an autonomous unit because of an economic independence based first on its steel industry, later on its accommodating banking community. These factors gave it an advantage over other communities seeking nationhood — Basques and Bretons for example—who may have had stronger linguistic claims but less in the way of political support or financial security. However Luxembourg, while able to pay its steel workers more than any other country in Europe, is not as affluent as its standard of living might suggest. It cannot, for example, afford to build the masses of new luxury hotels which frustrated Eurocrats and businessmen claim it needs. Nor does it want to.

With annual visitors already outnumbering the 356,000 residents three to one, the Luxembourgers are wary of being swamped and are content to see tourism expand at a slow steady rate. They cannot provide much in the way of entertainment—nightclubs, theatres and concerts do not figure prominently in the Luxembourg way of life. Instead they offer a sort of basic do-it-yourself holiday with plenty of good eating and healthy outdoor activity.

Consequently, most of the people who come to Luxembourg for holidays come independently, travelling in their own cars, camping or staying at small hotels, guest houses and youth centres. They are encouraged to go boating, horse-riding, angling, hunting (special five-day permits are available for visitors), scuba diving, cycling and above all, walking. The Grand Duchy boasts more than 5,000 km of walking paths within its 2,600 square kilometres, carefully laid out to ensure that those getting away from it all are not made overly aware of the several hundred thousand others doing exactly the same thing.

Beauty

Within easy driving distance of the heavily industrialised regions of northern France, Belgium and the Ruhr Valley, the Luxembourg landscape is extremely beautiful if unspectacular—the densely forested hills of the Ardennes giving way in the south to rolling farmland and woods, broken by clear, slow-running rivers and generously interspersed with 100 or so chateaux in varying states of decline.

For those of a more practical bent, Luxembourg holds alternative but substantial attractions which seem to have a particular appeal for North Americans and South Africans. The regular, frequent and low-priced Icelandic Airlines flights from the U.S. and Luxavia flights from Johannesburg have been highly successful, for reasons best known to the increasing numbers of passengers. Luxembourg has never shown much curiosity about foreigners who wish to open accounts with its banks. "We're like the Church," says a suave Government official. "We do not ask too many questions."

This relaxed attitude derives from a live and let live philosophy necessary in a country where migrant workers and their families make up more than one quarter of the resident population. It does not always come easily.

Many Luxembourg nationals resent the high proportion of foreign children in schools, for example, where they sometimes account for more than 20 in a class of 23. Their language difficulties can hold back general academic progress, a problem the authorities recognise but cannot always alleviate. Current high unemployment creates resentment of migrant workers and the impact on the cost of living produced by the community of highly-paid EEC officials provokes the occasional grumble.

These hostilities do not seem to extend to tourists, although a certain amount of anti-German sentiment relating to 1939-45 occasionally manifests itself. For the most part, Luxembourgers will go a long way to make a visitor feel welcome, be he a motorist who has lost his way and drops into a village cafe at 10 p.m. to seek directions, or a disgruntled businessman who cannot get a last minute reservation for a hotel room.

The Government tourist office guarantees to find hotel accommodation for anyone who requests it (a pledge that it honoured when challenged by the Financial Times last week) in an attempt to counter the widely-held belief that hotels in the capital are always full up.

The Luxembourgers are also fairly relaxed about their language, basically a Rhenish dialect with a strong admixture of Dutch and French. Most Luxembourgers speak French or German as well, or both, and many speak English: they do not expect the tourist to converse in Luxembourgish, nor do they confuse him with unintelligible street signs.

The language has not yet developed much as a literary medium, although a handful of novels has emerged in recent decades. The Luxembourg genius for the poetic is reserved for the cuisine, where is flourishes in such masterpieces as jambon d'ardennes, pates of venison, hare or wild boar, asparagus, fresh trout and pike, jellied sucking pig, smoked pork with broad beans, black pudding with horseradish—not to mention the splendid Moselle wines.

All of this tends to be rather expensive and time consuming. You don't get away for less than £10 a head, nor in less than two hours. The accommodating Luxembourgers do insist on a proper respect for their greatest contribution to European civilisation and have little patience for those who regard restaurants as human refuelling stations.

So if long hours of eating, drinking and conversation are not your idea of a holiday, it might be wise to pack a thermos and plenty of sandwiches, or to keep driving—you can cross the Grand Duchy in an hour.

M. v H.

Radio-Tele-Luxembourg

THOUSANDS OF Britons who could never place Luxembourg on the map have nonetheless heard of the country through tuning in to Radio Lux, the 8-12 p.m. evening service beamed to the U.K. by Radio-Tele-Luxembourg. But many of those Britons introduced to football pools by Horace Batchelor of k-e-y-n-s-h-a-m or who listened to Radio Lux's non-stop-hip-wiggling outpourings may not realise that RTL also claims to have the largest European radio audience, rating number one in France and W. Germany and widely listened to in Switzerland, Belgium, Scandinavia, and throughout Eastern Europe.

Set up with French money after the first world war, diluted by Belgian capital after the second world war, in order to capitalise on restriction in other European countries on commercial radio, RTL has proved a great success. Employing some 400 people in Luxembourg and 1,000 throughout Europe, RTL's turnover last year was Lux.Frs.5bn. with profits of some Lux.Frs.630m. Not least it is now Luxembourg's biggest single private taxpayer, contributing 4 per cent. of the national budget and last year some Lux.Frs.1.5bn. in all to the state (which includes rent for its transmitters).

Reputation

Its most comprehensive service, including news and current affairs and lonely heart programmes, is to France and 75 per cent. is produced in Paris. RTL executives claim that their French service news gained during the Algerian war and the events of May, 1968, a reputation for independence and objectivity which Frenchmen could not find on French services, and that in any one week 16m. Frenchmen and women listen in. Not all agreed. The French Union of the Left sent a frisson through RTL executives with their announced plans, if elected to power, to increase state control and taxes on commercial radio and television. The Left's defeat last month at the polls was warmly welcomed at the Luxembourg headquarters of RTL.

RTL started its German service in 1957, and it now claims to have the largest radio audience there—some 6m. West German service does not reach Bavaria and Southern Germany. Due to the lack of any West German cultural capital, fulfilling the role of Paris for France for instance, it is possible to produce the programmes in Luxembourg itself. This is seen as an advantage to some RTL executives who bemoan the decentralisation of the organisation, and in particular the tendency for the national services to give their news programmes too nationalist a bent and the similar tendency for RTL's national advertising offices to concentrate on selling national products nationally, not on a European scale. They argue that RTL should use its European stature to provide a properly European service its its listeners and customers.

By contrast, the British service of RTL is now the poor relation since the advent of the Independent Local Radio network in the U.K. Radio Lux which began broadcasting to the U.K. in 1934, can well argue that it is the only commercial radio station in the U.K. with a national rather than a regional audience. In particular, it reaches all those big towns, and there are many, which still have no ILR station of their own. In general, it still has a big chunk of the teenage market. Radio Lux is the backdrop to many an informal party among British youth. Probably the biggest handicap is that it broadcasts only four hours a night, with its medium wave transmitter sitting on the plateau above Luxembourg city reserved during the daytime for the German service. Still, some 1.1m. British listeners tune into Radio Lux every night, and RTL reckons that this is a good enough base from which to recapture some of its lost audiences.

In addition, the French service is listened to in the French-speaking part of Switzerland and Belgium, the German service throughout Eastern Europe, and the English service in Scandinavia.

RTL's television network embraces smaller audiences—the four departments of France which neighbour Luxembourg, and the southern and French-speaking part of Belgium—because it is only broadcast in French. What all this adds up to for the ordinary Luxembourger is that he or she gets, almost as an accidental by-product, far more varied entertainment than a community of 350,000 citizens could normally expect.

D.B.

هكذا من الأصل

London galleries

A Spring Mixture

by WILLIAM PACKER

One of the chief pleasures afforded by the smaller mixed show is that of browsing one's way innocently towards what is often a truly personal discovery. Imaginative selection, clever or desperate hanging, perhaps sheer accident, all conspire to surprise us; and suddenly our visual taste buds get the mesage: "Of course; how very odd; why had I never noticed/thought of/expected* that before?" (*delete whichever, etc. etc.). For, when he puts on his special show, the dealer can too rarely command the resources available to the larger, public, more respectably scholarly exercise, and usually must make do with whatever comes to hand. The result is that, no matter how much he might dissimulate, he is often as surprised and pleased as the rest of us.

On show at Michael Parkin (until May 14) is a most attractive assortment of late 19th and, for the most part, early 20th century English paintings, drawings and prints, called rather grandly "The Whistler Influence," a title immediately restated as a sub-title should we dare to doubt the point. But Mr. Parkin protests too much, and his is far from being a heavy, didactic offering. He has long specialised in this period in English art, and has now brought for us some excellent examples of Whistler's etching and lithography supported by a strong group of works by Walter Greaves. Poor Walter's case is well-known, however, and the interest here grows as we move by degrees away from the Master.

There are a number of obvious acolytes here, of course, artists such as Mortimer Menpes, Georg Sauter and Paul Maitland; but we soon come upon men like Robert Brough, obscure though they are, who are evidently so much closer to that other notable expatriate, Sargent, or to the far from obscure figure of Sickert. A show that brought Whistler, Sickert and Sargent together properly really would be important, and even here some intriguing possibilities occur to us. These men are after all the three crucial influences upon the development of English post-impressionism, and it might well be that Whistler, the most elegant and particular of them, was also the least powerful.

Mr. Parkin brings in several later figures, indeed bringing the line of his argument on to the Euston Road and the modern Academy, to men like Gowing, Dunstan and Greenham, all good artists and well worth showing; but Sickert is their hero. He also shows a lot of early Gerald Kelly, from the days before he fixed himself in the aspic of society portraiture, the surprise of this show. In this connection there are nods towards Wilson Steer and Lavery, but nothing of Sargent himself, which is a pity, nor of Orpen, John, Munnings or Shannon, who all come to mind. Emphatically the connection is variously to Sargent and Sickert, Whistler's confrères certainly, but questionable disciples. This is a stimulating if modest show, and full of good things.

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Here I must make passing reference to two other current exhibitions. The largest is at the British Museum (until October 1), a spectacular collection of French master lithographs made between 1860 and 1900; and the prints by Whistler and Sickert at Parkin, though by no means so choice, do invite direct comparison with those of their great French friends, from Manet to Degas and Lautrec. It is a show that I hope we shall consider at greater length later in its run.

The other is at Browse and Darby (until May 13), a small group of paintings and drawings by Walter Sickert that includes several major items. The important Arts Council exhibition of his work that has been touring the country is now at Plymouth, its final call, where it was reviewed for us by Denys Sutton a week or two ago. It has not visited London at all; and while this little show can hardly repair so significant an omission, it does give us at least a taste of what we have missed. Sickert is one of our better artists, all of whom we should learn to cherish rather more than we do.

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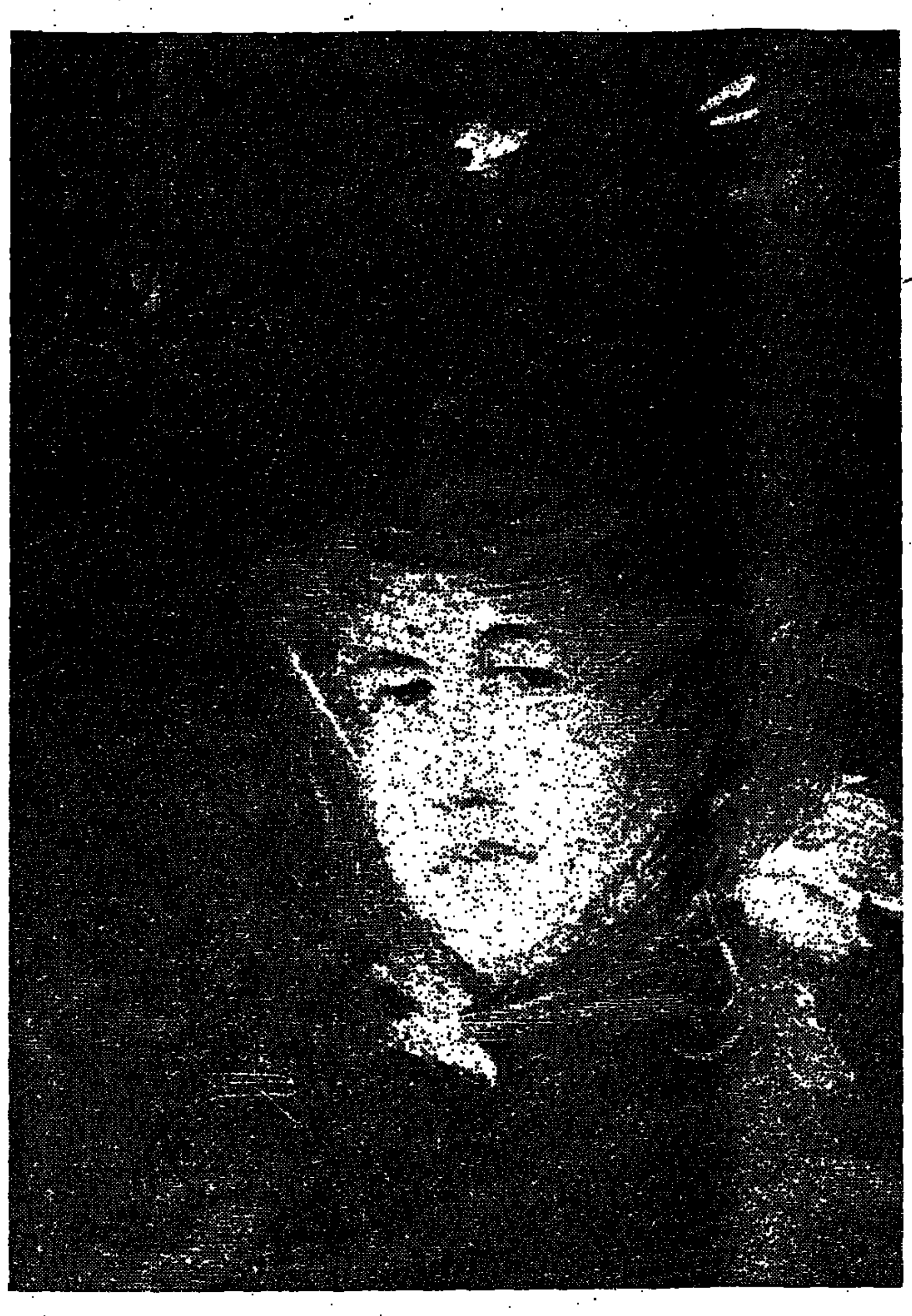
At the Fieldbourne Gallery, in St. John's Wood, another small show takes upon itself a large theme, perhaps the largest of them all, though it is put a trifle oddly as "Art in Religion" (until April 29). We should not suppose that artists to-day are less interested necessarily in the great subjects that occupied the past, but we can say with some fairness that their circumstances have changed, their scope grown somewhat more restricted. There is little religious patronage of artists—much of what there is is in doubtful taste—and public acceptance can no longer be assumed.

Such shortcomings sap confidence, leaving our artists with little stomach for the big commission, let alone the public protestation of faith. The bravest attempts fall short (the murals by Norman Adams at St. Anselm's, Kennington, for example); the rest usually plunging headfirst into bathos and sentimentality. And so it is good to see someone grasping the nettle of embarrassment, and finding it does not sting. Admittedly some of the work is sub-standard, much of it rather common-place, and the two largest works unsuccessful; a melodramatic Assumption of the Virgin by Carel Weight, and a mildly ludicrous "Christ Ascending" by Duncan Grant; but there are certainly enough good things to show that such subjects can still be treated seriously and successfully, for all that in our time the demonstration is likely to be small in scale, and highly personal. Carel Weight's other picture, of Jesus and the Children, is the best painting in the show, a simple drawing of the Madonna and Child, by Rodney Burn, the only thing to match it; but Norman Adams is strongly represented, and also Gilbert Spencer. Keith Critchlow's reworkings of Islamic tile motifs, Alfred Cohen's Cabalist and Ingrid Dumitrescu's ikons are notable among those things that point to the ecumenical spirit of the age.



Head of a Lady: Kathleen Forbes Crombie. Robert Brough 1872-1905

Whitney Museum, New York

Plastic society

by FRANK LIPSIUS

The 29 pieces of Duane Hanson's sculpture at the Whitney Museum in New York would serve as the perfect representation of what America can dish up in subject and treatment in answer to socialist realism. The social realism of Hanson's work is achieved with the most malleable plastics, shaped over the bodies of red-blooded real live Americans, the kind of Americans who suspend Bermuda shorts over spindly legs, wear work shirts with their names on them, and expose bulging thighs to the sun in reclining positions on plastic deck chairs.

As recently as ten years ago, Hanson's social commentary took the form of bodies laid out to depict war horrors, as in "War," or the sheet-covered body of a pregnant corpse, entitled "Abortion" to express Hanson's articulated opposition to the illegality of abortion in America. Such commentary, lacking in subtlety and resonance, attracted more controversy than appreciation.

The burning issues of the 1960s, which Hanson addressed in those works, mellowed considerably and the Whitney show, consisting entirely of Hanson's work in the 70s, reveals his own mellowing and changing focus, turning political points into dramatic social satire and, more recently, into bemused observation.

He finds his issues in the people he depicts. The props and scope of his work are now much more localised. People are not so much representations of dramatic scenes as figures caught in a relaxed, unguarded moment. A worker eats, his lunch pail on the floor between his legs. A man in a sweater and slacks reclines against the wall just as, around the corner, a man stares sleepily while he leans back in an office desk chair.

The change from strenuous drama to slumped shoulders is best noted in Drug Addict, a 1974 sculpture of a young man leaning against a wall, nodding off with a needle in his limp fingers. Drugs have put this figure in the position of those around him, with no more comment on his condition or political issues than a blank expression on his face.

This marks a change from the Hanson of Supermarket Shopper, a work he did in 1970 that appeared in London at the Serpentine Gallery exhibit in 1974, Hyperrealists Americain—Realists Europeens. That was a memorable piece of mockery as were other ones of that transitional period, like Bunny, depicting a Playboy waitress leaning forward, or Housewife, showing a woman holding a cigarette in her mouth as she relaxes with curlers in her hair, a hair dryer in her lap and trashy magazines on the floor around her.

There is still fun in Hanson's work. A sculptured museum guard stands in a spot where he is, apparently, often asked questions. A very recent piece portrays a squatting photographer, and visitors squat in the same position to take a picture of him. Rita, a waitress holding a food tray, is not with the rest of the show, but has been placed in the basement cafeteria of the Whitney. There have been objections to this mixing of observer and observed, as though it subtracts from the value of the work by turning it into a mere trompe d'oeil. There can be no doubt, however, that at least with the museum guard, Hanson would expect such mistakes to occur. These are Hanson's jokes; a museum can downplay them, but there is no reason to.

After all, it fits in with Hanson's strong demand for a reaction from his audience. It started with death and atrocities and moved on to evocative props, like bunnie dresses and full shopping carts. As Hanson develops, his work provokes reaction with fewer and fewer spectacular effects: mere ordinariness now does it. It is an ultimate, in the terms of social realism.

Duane Hanson's 'Woman with Suitcases' (1973). Lifesize in Polyester and fibreglass.

Schiller-Theater, Berlin

The Tempest

by RONALD HOLLOWAY

Once in every decade Shakespeare's greatest plays pass across the German stages like birds in migration. Last season it was Hamlet; this year it's The Tempest and Midsummer Night's Dream. In the provinces nearly anything and everything is tried, and no wonder—Shakespeare, thanks to the Romantic Movement, is Germany's most popular playwright. He always stands a good head-and-shoulders on the production list above Schiller and Brecht, and only once in recent memory did he step down from his box-office throne—on the occasion of Bertholt Brecht's 75th birthday (when West German stages tried to make up in one sweep for the scandalous neglect during the Cold War years).

There are, in general, two kinds of Shakespeare productions: the traditional style and the "new version." The former adheres to the poetic, majestic breath of the plays as best that talent and inspiration allows; the latter strikes out on its own like a lone prospector in search of gold in virgin territory. Both are usually painfully hard to stomach. The traditional Shakespeare relies on the sticky charm of the naive and the beginner struggling for recognition. The progressive Shakespeare substitutes tricks and gimmicks for a rich spoken text, an arrogance that sometimes goes beyond the limits of fair play or good manners.

Why translators believe they can slander Shakespeare with impunity is a riddle still to be solved. I have seen "new versions" of Julius Caesar, Richard III, and King Lear that were a disgrace (the culprits, often enough, the scions of the new era in German theatre), but these Erstaufführungen achieve their purpose: the criticis, by tradition, are obliged to atttend the "original" productions of the season. However, when the Intendanten who perpetrate these criminal acts of banality are asked why they don't similarly update Goethe or Schiller, they react as though insulted.

Only one ensemble has attempted to treat Shakespeare fairly: the Schaubühne am Halleschen Ufer. This hardy troupe approached the Bard from a respectable distance, selecting the most fitting of the early translations for As You Like It and studying the commentaries, past and present, for the root meaning of a "fool." A seminar, regretfully, is far from a play, and the Schaubühne ended up discarding word for show. The entire contemporary world of Shakespeare was dumped into a West Berlin movie studio like a space experiment, an echo-chamber time-machine.

At the risk of appearing snobbish, what seems to be lacking in German productions is an honest-to-God Shakespearean actor. Few of the young names on the horizon take the time to wax into their roles, and the veterans refuse to let go of the tried-and-true wares they can peddle auf Tournee through the provinces. I once heard a renowned Gründgens actor in an interview say how much he regrets not being able to play Hamlet any more—but no word about the opportunity to look forward to Lear or Prospero.

Only Bernhard Minetti can carry a Shakespeare production on his own merits as an actor. In Alfred Kirchner's production of The Tempest at the Schiller-Theater in West Berlin, the new translation by B. K. Tragelehn is not something to write home about, but it's not abusive and that's what counts most these days. The storm is taken care of immediately in grand style: Axel Manthey engineered a stage effect that turned the entire theatre into a lightning rod. The rest is all Minetti.

In have seen Minetti as Lear, Krapp, and a kind of disgruntled Jehovah in Thomas Bernhard's The Force of Habit—after which, the Austrian playwright penned a drama simply titled Minetti. Each time this gaunt, grizzled veteran assembled his past credits and applied them to the new role, until in The Tempest his Prospero is a combination of all of them. He is the Olivier of German theatre.

Elizabeth Hall

Music Group of London

by RONALD CRICHTON

Dvorak's Dumky Trio and Brahms's Horn Trio in E flat, the main works in the Music Group of London's programme last Sunday, each have unusual features. Dvorak's Trio pays virtually no homage to sonata form at all, being a six-fold succession of shortish movements based on dance-song models and subtly varied. Brahms opens with a slow movement in ternary form, and follows this with an extended scherzo, a second slow movement and an uproarious hunting-finale.

Both went well. About the Dvorak there was a certain aura of manly English self-control in both the sadness and the bursts of activity, yet the quality and quantity of the composer's unfailing invention both in melody and scoring were continually apparent, notably in Eileen Croxford's incisive cello line. Alan Civil played the horn part in the Brahms, and marvellous it sounded—the Elizabeth Hall acoustics get knocked so often that it is a pleasure to point to one instrument that positively blossoms there.

Though it does not always come off as well as this, the Horn Trio is one of Brahms's most irresistible masterpieces. To go no further, both slow movements are of extraordinary beauty, especially the second. Few of the romantic composers plumbed such depths of wondering grief with such entire lack of self-pity as Brahms did in this Adagio mesto. The opener was Bartok's Contrasts. Keith Puddy's playing of the clarinet part was remarkable. Piano (David Parkhouse) and violin (Ralph Holmes) were dapper but not quite pithy or biting enough—they had two major works to come, while Contrasts was the clarinet's only outing.

CCMC debut in London

The Canadian Creative Musicians Collective, a free music orchestra and composing ensemble which has been playing in Toronto since 1974, makes its London debut on Sunday, April 30, at the ICA Theatre, in the Mall.

This is a Jazz Centre Society presentation in association with the cultural affairs section of the Canadian High Commission and the Institute of Contemporary Arts. Tickets are £1.50 plus 25p temporary ICA membership.

Odeon Hammersmith

Television

Television was, and I suppose is, a New York band which represented that city's sophisticated response to the frenzied incoherent British new wave music which filled the newspapers, if not the airwaves, last year. While the British groups gloried in their lack of musical competence as a justifiable reaction to the contrived and precious music of the super-rich, super-groups, Television obviously knew its way around its instruments: it was thinking man's punk.

They were perhaps a bit too thoughtful for the audience at Hammersmith on Sunday night. Since new wave music is short on melody it's appeal is in its movement and drama. Television was as passive as a string quartet and its restrained approach encouraged cries of "move about a bit" and a steady trickle to the exits. This was monstrously unfair because Television, dominated by its composer, singer and guitarist Tom Verlaine, seemed to be successfully synthesising the best elements of traditional electronic rock with a fresher, more belligerent, individualism.

It was Television's misfortune to emerge co-incidentally with the new wave. It is altogether a more pretentious outfit, as its latest album reveals. In performance the lean and langorous Verlaine mumbles his vaguely poetic lyrics; his guitar was irritatingly scrappy; and the band might have looked more involved. But as Verlaine and fellow guitarist Richard Lloyd blended their creativity in the kind of improvised soaring soul searchings not heard at a rock concert for years the past and the present merged. Television maly be visually tame but it has certainly breathed new inventive life into hard rock.

ANTONY THORNCROFT

Jazz week-end at the Portman

The Portman Hotel, W.1, which since last year has been presenting jazz sessions on Sundays under the title New Orleans Sunday Brunch, is celebrating the first birthday of this policy with a jazz week-end on April 21, 22 and 23.

The event begins on Friday April 21 with the Salute to Satchmo package featuring Alex Welsh and his band, Humphrey Lyttelton and Bruce Turner.

On Saturday there is a lunch-time jam session with Bud Freeman, Pat Halcox and the Sammy Rimington quintet and Johnny Barnes with Roy Williams. In the evening the music will be played by tenor-saxist Dick Morrissey with the Harry South trio and singer Annie Ross.

To round off the week-end the Sunday Brunch will feature singer Elaine Delmar from the show Bubbling Brown Sugar. The Pat Smythe trio accompanies.

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Back from the dead

MR. ROY JENKINS, the President of the European Commission, rightly remarked in his Jean Monnet Lecture some months ago that the concept of monetary union had become "immobilised in scepticism" following the demise of the Werner Plan and the currency upheavals of the past few years. To-day the scepticism remains widespread, especially in Britain, but there has been a certain revival if not of the idea of monetary union, then at least of closer European currency co-operation. Apart from Mr. Jenkins himself, who has intellectual distinction but few troops, the running is being made — rather surprisingly — by Chancellor Helmut Schmidt of West Germany.

Different

Very little is known of what precisely Herr Schmidt said at the meeting of the European Council in Copenhagen earlier this month. But it is clear that he did raise the subject and that he mentioned the possibility of an enlarged currency snake in which the weaker currencies (such as the £) would be allowed wider bands of fluctuation than the stronger ones (such as the D-mark), the idea of a certain pooling of reserves, and of the use of the European unit of account as a kind of reserve currency, not unlike the IMF's Special Drawing Rights. The French reaction was encouraging — indeed the subject seems to have been discussed with President Giscard d'Estaing beforehand, and so, of course, was that of Mr. Jenkins. Where it was not just sceptical, the British reaction was downright hostile.

It is true that such ideas raise at least as many questions as they answer. For example, who would be the central authority behind what would amount to the beginnings of a common monetary policy? It is also true that many of them are old hat: some of them—such as the enlargement of the snake —have been tried before, and found wanting. The snake survives well enough so long as the economies of the member countries move broadly in line, but it comes apart when there is a major divergence, especially by one of the larger currencies. The logical alternative of maintaining the snake intact by a large-scale transfer of resources from the stronger economies to the weaker has never been put into effect, and there has not recently been much disposition on the part of national governments to give it a go.

Yet a call for a new look at monetary co-operation is quite different in kind when it comes from Herr Schmidt rather than the Commission, the Prime Minister of Luxembourg or even from President Giscard, who has been associated with the idea for much of his working life. As the strongest economy, West Germany after all would be the country most involved in any resource transfer: therefore to turn Herr Schmidt's ideas down flat, or to say that he is not being serious, would be a little bit like looking a gift horse in the mouth. It is also unlikely that Herr Schmidt would put up a plan designed to lead to confrontation with the U.S.; the same could not quite be said of France in the monetary field, even under the relatively Atlanticist President Giscard. Not least, it is striking that Herr Schmidt, who has been sceptical about monetary co-operation in Europe for so long, should have changed his mind. Plainly he now thinks that something must be done.

It is objected in London that, however well-intentioned the new German thinking may be, the effect might be simply to create a diversion from a more important objective: namely a commitment to a higher rate of growth at the economic summit meeting to be held in Bonn in July. That might be deliberate or it might be otherwise, but either way the result would be the same: the British objective would be side-stepped. Yet if the British Government wants the Germans to give on growth, it cannot really refuse to talk when the Germans come up with some ideas of their own. Nor do a commitment to growth and a revival of monetary cooperation necessarily have to move on the same time-scale. The second indeed could be part of a continuing process, unlikely to be fully set in train by the summit this summer.

Week-end

As it happens, Herr Schmidt is coming to London for talks this week-end. Mr. James Callaghan should have a lot of questions to ask of him; but it would be unfortunate if they were put in an unduly hostile, or even sceptical tone. The Germans have a lot to give, but they must expect something in return.

It all depends on savings

THE VOLUME of retail sales in March is provisionally estimated to have fallen back a little from the February level but to have remained comfortably above the average for any quarter of last year. Sales during the first quarter of 1978 as a whole were 1½ per cent. higher than in the previous quarter—higher, in fact, than at any time since the last quarter of 1976. This corresponds reasonably well with what has been happening to real personal disposable income, which fell sharply during the first half of 1977 but has recently been recovering strongly because of a faster rise in earnings than in prices and because of the autumn tax cuts.

The further cuts proposed in last week's Budget will add to this recovery. The Treasury expects real net income to be up by 7 per cent. on the year up to the middle of 1978 and then to continue rising at a much more moderate pace. The rise in incomes will lead to some rise in consumption expenditure, but the precise amount is a matter of guesswork rather than forecasting. The Treasury puts the rise at 4 per cent. over the year to mid-1979 and reckons that, partly as a result of this, the volume of imports in the same period will rise twice as fast.

Small surplus

This, according to the official forecast, would leave us with a small balance of payments surplus in the first half of next year, one so small that a larger rise in imports or a smaller rise in exports than those assumed could easily eliminate it. And the March trade figures published at the end of last week suggest that this is a possibility to be taken seriously. The volume of imports in the first quarter of this year, excluding items which tend to fluctuate violently from one month to another, was 12 per cent. up on the (admittedly rather low) figure for the last quarter of 1977. It is true that the main increase recently has been in imports of raw materials and semi-manufactures, suggesting a temporary increase in the rate of industrial stockbuilding. But imports of finished manufactures, which have been climbing steadily through the recession and are most likely to be influenced by an increase in consumer purchasing power, were another 7½ per cent. up in the first quarter.

How far consumption and imports grow as a result of higher real disposable incomes depends to a large extent on how much of the increase is saved. The traditional assumption has been that consumers prefer to maintain a certain level of spending, building up their savings if real incomes suddenly increase and drawing on accumulated savings if real incomes suddenly fall. But rapid inflation has caused this, like so many other assumptions, to be modified. The savings ratio has recently been relatively high, even when real incomes were falling, presumably as a precaution against an uncertain future.

Uncertainty

The latest increase in consumer credit and personal bank advances suggested that the savings ratio might be coming down with the rate of inflation, and one reason for being cautious about overall tax reductions in the Budget was the possibility that potential spending power might be boosted in this way. The reaction of the financial markets to the Budget and the difficulty which the Government is likely to have in securing any agreement with the unions on pay restraint may therefore have a paradoxically useful side-effect. To the extent that consumers remain uncertain about the economic outlook, they are likely to save a higher proportion of their increased real incomes. That could reduce the risk of a very sharp increase in consumer demand and in the bill for imports of manufactures.

The making or the breaking of the Anglo-U.S. tax treaty

BY DAVID FREUD AND MICHAEL LAFFERTY

THE fate of the Anglo-American double taxation treaty now hangs in the balance as a result of U.S. domestic politics.

Opposition to one of its clauses, which curtails the taxing rights of three individual states, is growing in the Senate.

The British Government, which regards the treaty as a balanced package, is extremely unlikely—and probably politically unable—to accept removal of the clause.

If the Senate does go ahead with the threatened deletion, the U.K. would almost certainly abandon the whole treaty—which took three years to negotiate—with severe and far-reaching repercussions.

American corporations operting in Britain stand to lose back taxes estimated at $365m. by the U.S. Treasury. On the other hand British companies operating in the states of California, Alaska and Oregon would have to put up with what they regard as a deeply injurious tax system.

The implications are even wider than this. All companies operating in both countries would be faced with a further considerable period of fiscal uncertainty. Cross-Atlantic investment could well suffer as a result.

Most important, the implied acceptance of the "unitary" tax system operated by the three states could encourage its eventual spread all over the world.

Essentially, the unitary system means that companies are taxed not on the basis of their real profits in individual states but on their world-wide performance. In California, for example, companies are taxed according to an arithmetical formula involving three percentages, the ratios of Californian turnover to world turnover, Californian assets to world assets, and Californian payroll costs to world payroll costs, which are simply averaged. That average is the percentage of the company's world wide income which is then subject to tax in California at the rate of 9 per cent.

The attraction of unitary taxation is that it is simple for the state to operate and gets over difficulties of determining what is a fair profit figure to tax in individual jurisdictions. The system was originally set up to cope with the U.S. inter-state railways. The system has particular attractions when it comes to multinationals, where internal transfer pricing policies and widely differing international accounting systems can make it very difficult to establish what profit is earned in what country.

However, the multinationals fear that unless the application of unitary principles to foreign companies is stopped, the system will rapidly be adopted by many developing, as well as developed, countries round the world. Such countries would be only too keen to use the system as an opportunity of increasing their tax take from the giant—predominantly U.S. — corporations operating in their economies.

The treaty is an international trend-setter. It is the first double taxation treaty between the U.S. and the U.K. since the original 1945 agreement which, with numerous additions, is still in force. Its provisions are of considerable significance because the mutual involvement of the two economies is larger than for any other pair of countries except Canada and the U.S.

Treaty's broad principles

The treaty is also a pioneer in its close following of the OECD Model Double Taxation Convention on Income and Capital, which was published last year. In some specific articles, which depart from the OECD model, the treaty establishes further broad principles which would tend to be widely adopted if it is accepted. One of these is the British concession of tax credits to foreigners in the dividend imputation system adopted in 1973. The other is the U.S. curbing of states' rights to tax on a unitary basis, which is causing all the trouble.

The necessity for double taxation treaties is a natural consequence of countries' involvement with each other. When individuals and corporations earn income in more than one country some harmonisation of taxation practice is essential. Otherwise—at the margin—there would be instances in which the claims of both countries on one income brought total tax demands to more than 100 per cent. of the income itself.

The groundwork for the typical double tax treaty is now well established. So it is only the new developments and anomolies which have cropped up in the meantime that need to be bargained over. And the bargaining over this particular treaty—which went on from 1972 to 1975—was extremely tough. In essence, the Americans gained significant advantages in dividend payouts from U.K. subsidiaries of U.S. corporations, while the U.K. did well over changes in the treatment of capital gains and the unitary tax system.

Under the U.K. imputation system, companies pay so-called advance corporation tax (ACT) on the dividends they pay out. The amount of this ACT can then be deducted from the company's mainstream corporation tax bill, and, at the same time, the recipient of the dividend is assumed to have paid tax at the basic rate. In other words, he is entitled to a tax credit in establishing his own tax liability.

The British tax authorities were quite willing to allow this tax credit to be given to U.S. portfolio investors, after deducting an effective 15 per cent. withholding tax. However, the U.S. Internal Revenue Service negotiators fought fiercely to have the principle applied also to trade investors—corporate shareholders with 10 per cent. or more of voting power in U.K. companies. In return, British investors in the U.S.—which operates a classic withholding tax—had the tax reduced from the former level of 15 per cent. to 5 per cent. This compares with 30 per cent for domestic U.S. shareholders.

The U.S. Treasury claims that Americans will be $85m. a year better off as a result of the U.K. tax credits, and that retrospective payments to 1973, when the imputation system began, will bring in a once-for-all $360-$370m. The bulk of the payments will go to trade investors. The U.K. gains from the change in the U.S. withholding tax are claimed to be $15m. a year and a retrospective payment of $60m.

The British Inland Revenue says these figures are exaggerated as far as the U.S. gain is concerned. But it is unwilling to give its own estimates, possibly fearing this would undermine its bargaining position in the event of a re-run of the treaty negotiations. However, it concedes that the Americans did well in this area while pointing out that the U.K. came off best in the trade-off between capital gains and unitary tax.

The treaty transfers the right to tax capital gains from the country in which the individual entitled to the gains is resident to the country where the gains themselves arise. Although no estimates of the value of the change over have been released by either side, it is clear that the U.K. will show a substantial net gain on this provision, because U.S. investment in the U.K. is much higher than the other way round.

The second U.S. concession was to block states' rights to tax British companies on a unitary basis. This had recently become a big issue for foreign companies trading in California in particular, as that state began to extend to them the unitary system that it had adopted in the 1950s. Until this happened, the general level of local taxes in the U.S. had been too low for it to be worthwhile including in double taxation treaties.

Californian tax officials claim that the direct cost to California of this concession could be as much as $30m. a year, and the indirect cost, as other countries and even U.S. corporations seek parity, as high as $200m. a year. The direct cost to Alaska, with the heavy British Petroleum involvement in oil, is estimated at $10-$15m.

The treaty's progress through the U.K. Parliament was smooth. After final agreement between officials at the end of 1975, it was approved, along with a couple of minor amendments, by last June without debate. Not so in the U.S., where the constitution lays down that all treaties with foreign powers need a two-thirds majority in the Senate. The House of Representatives is not involved.

The relevant Senate committee — Foreign Relations — held up its approval of the treaty for more than six months, mainly because of concern at the implications of Article 9 (4), covering unitary taxation. Although it was eventually passed nem con a couple of weeks ago, a previous reservation was defeated by only ten votes to five. In terms of senatorial politics, this proportion does not augur well for its future when it comes on to the floor.

The big sticking point is not so much support for the unitary tax system, as growing concern at the way a federal treaty with a foreign power would effectively restrict states' rights. Some prominent U.S. politicians have said that the issue of unitary tax should be dealt with in a domestic context, necessitating a separate law involving House of Representatives approval.

Britain's threat

If the Senate does decide that the issue would be better resolved by legislation—requiring the protracted participation of both houses of Congress—the likely British reaction would be to abandon the whole treaty. One obvious bargaining counter the British would hold in any re-negotiation would be the threat not to extend the tax credit concession as far back as 1973.

The Senatorial mathematics against the treaty look formidable in spite of the Administration's support for it. Already 20 senators have registered their opposition. Those against Article 9 (4) would need a simple majority of 51 votes to cut it from the treaty. However, if defeated in such an attempt 35 votes would be sufficient—on the two-thirds rule—to deny Senate approval to the treaty as a whole.

Either way, it looks like being months before the Bill comes on the floor. The highly controversial Panama Canal treaty takes precedence. In addition, there are several other items to be dealt with regarded as much more important than the taxation treaty.

Yet another complicating factor in the time-table is a series of Bills before the Californian State legislature. Governor Jerry Brown is supporting one measure to outlaw unitary tax for foreign companies. He has become a late convert to the cause in election year—after visits to Japan and the U.K.—in an attempt to counter-balance widespread concern at the poor business image which his state is building up internationally. However, this limited measure is opposed by domestic business groups who want the unitary principle abandoned altogether. No decision is likely before June, when the Californian electorate vote in an important property tax referendum the result of which will colour the outlook on the unitary system.

It is easy to see how the unitary tax system has contributed to California's bad business image abroad. The Hongkong Bank of California, a subsidiary of the Hongkong and Shanghai Banking Corporation, has been assessed for taxes on the unitary basis from 1959 to 1976 totalling $4.2m. Yet the bank says this amount exceeds aggregate profits in California during the 21 years that Hongkong Bank of California has been in existence. In addition, the entire capital and net worth of the subsidiary is put at only $10m.

Indeed, the Hongkong and Shanghai Bank says this state of affairs was one element in its decision to buy a majority stake in Marine Midland Bank in New York, and close down—as required by U.S. federal law—in other states, in this case California.

Whether or not California eventually decides to revise its unitary tax system because of such problems will be of little help to the progress of the treaty. In terms of U.S. politics it is seen as a peripheral item, and, once thrown into the long-seething cauldron of states' rights, it is fairly random whether such items sink or swim.

Governor Jerry Brown of California — a late convert to the outlawing of unitary tax for foreign companies.

TWO VIEWS OF 1972 TAXABLE PROFITS

(Hongkong Bank of California)

	PROFIT ($000) Before tax	After tax
The Bank's —based on its own accounts:	707	82
The Franchise Tax Board's —based on formula apportionment:	4,832	560
The Difference:	4,125	478

MEN AND MATTERS

Labour rebels in trouble

The future looks gloomy for Jim Sillars, MP for South Ayrshire, now that his rebel Scottish Labour Party is sliding towards oblivion.

After the Garscadden by-election, when its candidate got only 583 votes, the SLP is heavily in debt. Its executive will meet in Aberdeen at the week-end to decide what to do next. Fighting the next parliamentary contest at Hamilton looks unlikely.

Two years ago the number of defectors rallying around ex-sailor Sillars threatened to split the official party in Scotland. But John Robertson, the only other MP to join the SLP, has already said he will not fight his Paisley constituency again.

Sillars himself, who had a 14,000 majority at the last general election, will have a hard battle in South Ayrshire. Neither his agent, nor the strong local party organisation, deserted Labour to join him; they are confident that he will be defeated. He has burned too many boats to be accepted back by Jim Callaghan—at least, not without a spell in the wilderness.

"They'll certainly have no difficulty providing human guinea pigs!"

Beer and blood

It would be hard to conceive of a link between the tornado that killed at least 200 people in India at the week-end and a 19th-century Wiltshire brewer named Joseph Lovibond. But Lovibond's invention to ensure that his beer stayed the right colour is the forerunner of equipment being used increasingly by the World Health Organisation after natural disasters.

With the widespread use of organic phosphorus insecticides, there is a danger that water supplies can be fatally contaminated during flooding or earthquakes. So the WHO asked the company called Tintometer, founded by Lovibond in 1896, for kits to blood-test potential victims. By the use of reagents, which turn blood specimens a somewhat disagreeable yellow, it can be discovered whether pesticides have lowered the level of the cholinesterase enzyme in the body. If they have, organs such as the heart and liver stop working properly.

Lovibond checked his beer with coloured glass, because the glass would not fade, but the old brewery has long since been absorbed by one of the giants: yet the family company is still in his home town of Salisbury. The managing director, Peter Fawcett, is Lovibond's great grandson. He told me: "We have come far from coloured glass, but our colorimetric testing equipment, using chemicals, is in a direct line of descent."

The bulk of the equipment the firm makes is exported to test for various kinds of water and air pollution in developing countries. But the pesticide equipment is also bought in the U.S., especially by the Cyanamid Corporation, for regular blood checks on farm workers using spraying equipment. "It has become one of our big selling lines," says sales manager Gordon Smith. But down in Salisbury, Joe Lovibond's successors turn their hands to anything: recently they supplied equipment to the University of Lagos for monitoring the colour of spots on the backs of Nigerian frogs.

Paris revisited

A fragile but alert passenger at Heathrow yesterday afternoon was the 93-year-old artist Duncan Grant, last survivor of the Bloomsbury Group. He was off to Paris for a special preview of the momentous Cézanne exhibition opening later this week at the Grand Palais. "Cézanne was my painterly grandfather," explains Grant, who will be staying for three days with the British ambassador, Sir Nicholas Henderson. He first knew Paris in Edwardian days, as an art student.

Pay puzzle

After reading the latest issue of Transport Review, the organ of the National Union of Railwaymen, my sympathy goes out to British Rail gatemen and watchmen. I can visualise them now, standing by their gates or staring into the silent night, and trying to figure out their new bonus payment system. The details of the scheme cover more than half a closely printed page and the nub of it is a formula that would tax a professor of mathematics. Here is a sentence to put you on your mettle: "Bonus Payment will be linked to the 50-100 pay scale, with an Effectiveness and Quality Factor geared to pay a maximum bonus of 85 per cent. of the Works Average Pay Performance of Production Workers under Re-incentive Conditions."

The methods for deciding the E and Q of BR's gatemen and watchmen are rather vaguely defined. But there is no uncertainty about the ways the figures will be calculated, not forgetting "an additional factor to compensate for the effect of the change in bonus slope."

What really brings you to the heart of the matter is the Pay Performance formula:

$$\left[\frac{(100-\text{E and Q points})}{2} + \text{E and Q points} - 50)\times 0.4967\right] + 50$$

My advice to any lad thinking of the railways as a career is to skip the watchman's job and go straight for Peter Parker's post. It will be easier working out the pay.

Local colour

A reader who owns a Buick was driving in rural Hampshire last week-end when he suddenly realised that he had lost his way. Spotting an old man leaning over a farm gate, he stopped his car and shouted, "Preston Candover?"

"You'm gaart th' bes' paart of a toidy foo moiles t'goo, maister," the old man shouted back. "Goo aaarn paast ole Ernie's, uppen till Jim's spinney, 'an dreckly by . . ."

"I'm sorry," the reader said, getting out of his car, "but could I trouble you to show me on the map?" The old man opened the gate and came towards him. "Do forgive me, old boy," he said. "I thought you were one of those American tourists."

The case for a bloodless revolution

Lord Hailsham (pictured when he was Lord Chancellor): "We need to be protected from our representatives."

LABOUR is now as likely as the Conservatives to form the next Government. Those who reject this assessment must at least consider the possibility that after the next election Mr. Callaghan, or his successor, will be able to cobble together some kind of Parliamentary understanding with the Scottish and Welsh nationalists and whatever is left of the *Liberal Party*.

It is a distressing outlook, but *not for party political reasons*, as I shall explain in a moment. *First*, let me indicate why, if I were a betting man, my money would be on a close result, with Labour plus possible allies a nose ahead at the finishing post.

The argument starts with the opinion polls. These suggest that the Conservatives' seemingly extraordinary leads of yesteryear have been slowly ebbing away—to a point at which one of the most recent gives them only a 2 per cent. edge.

They do have strong *support*, especially on immigration and *law and order*. But these *emotive* issues are wisely regarded by *the majority of voters* as secondary when set against the *central* issues like unemployment, prices, and general management of the economy.

On those primary issues, Labour is widely regarded as possessing the more desirable policies. It is no use expostulating that Mr. Healey's work has in fact been disastrous; that is beside the point. The polls, public and private, tell us that most people believe that Labour will "do something" about unemployment, and that the Government is achieving success in reducing inflation.

Polls can, of course, be misleading, especially when it comes to predicting the number *of seats likely to be won* in first-past-the-post general *elections in a country where* the two-party system appears to be breaking down.

Yet Labour did better than many had expected in last week's by-election at Garscadden, Glasgow, and it will be able to test the message of the opinion polls at a series of other elections, parliamentary and local, over the next month *or so. This kind of test* is extremely valuable for a government in office; Labour is even now studying in careful detail the tabulated reasons why Garscadden voters went the way they did, down to the interesting point that the increase in Child Benefit promised in the Budget may have counted for more among Catholic women voters than did the association of Labour with a favourable *attitude* to abortion.

The Government is, of course, *planning* to give the majority of voters an increase in real *disposable income this year*—while yet contriving to look "responsible" as against an Opposition that would be too intemperate in tax-cutting, and "moderate" as against an Opposition that would stir up class and race antagonisms. Because of the IMF constraints, its lack of a majority in the Commons, and the character of the Prime Minister, it will go to the polls at the end of a longish stretch of precisely the kind of conservative middle-of-the-road administration most voters like best.

All this could be upset if the Government were forced into an early election, but if it can hold out until October it stands a fair chance of denying Mrs. Margaret Thatcher her chance of becoming Britain's first woman Prime Minister. It is a depressing prospect—as depressing as if the Conservatives did in fact win.

The reason is that the last thing we need is a further spell of Government by an unrepresentative ideological minority, whether it be the Labour Party revitalised after an election victory, or the Conservatives in the first flush of their own return.

For if you cast party aside for a moment, it is clear that Britain faces two possible futures: one, continued decay; two, revolution. Of the two I would prefer the latter, but it is far more likely that we will have to endure the former. Some may postulate a third course—steady recovery led by a movement for reform, but this seems the least likely outcome of them all.

If this seems like too stark a choice, pick up the latest work by Lord Hailsham, published this week*. Like several of his Conservative colleagues, Lord Home and Mr. Edward Heath among them, the former Quintin Hogg has become more *radical in recent* years. He is half way to seeing the light.

"*It is only now*," he says on page 13, "that men and women are beginning to realise that representative institutions are not necessarily guardians of freedom, but can themselves become engines of tyranny. They can be manipulated by minorities, taken over by extremists, motivated by the self-interest of organised millions.

"We need to be protected *from our representatives no less* than from our former masters."

As a matter of fact, this realisation did dawn on some people a fair while before it came to Lord Hailsham, as he will doubtless recognise if he reminds himself of the history and formation of the American constitution. Never mind: the important point is that understanding should be spread.

Idiosyncratic though he may be, *Lord Hailsham is contributing* to that understanding with *his book. He describes with* great clarity why the central flaw in our present constitution is the absolute power available to the House of Commons—a power circumscribed in most other functioning democracies by the restraints of a written constitution, or the counterbalance of a second legislative chamber, or both.

This flaw is magnified, he tells us, by the "excellence" of the administrative class of the Civil Service, which (page 158) he says is an institution derived from Imperial China. He says of our mandarins that "of all political administrators they are most like the class of guardians in Plato's republic, in all things save one. *Unlike* those guardians, they do not *openly bear responsibility for* what is done."

Yet because of their ability and integrity they fortify the decisions imposed by the "elective dictatorship" of an all-powerful Commons plus a highly centralised executive.

Here again one would have liked the author to have probed deeper. Is it not possible that this class of "guardians" has become primarily concerned with the maintenance of its own privileges and status? Could it *not be the case that many policies* are designed by the "*guardians*" *and put through* the Commons for its formal seal? It is plain that the answer to both these questions is "yes": what we may never extract from the files short of a revolution is the chapter and verse that proves it.

Agnostic

To Lord Hailsham the way *forward is a modicum of reform.* He is agnostic about proportional representation *for the* Commons, but in *favour* of basic laws (*that is*, a form of written constitution) alterable essentially by referendum only. He would have a Senate, elected possibly by PR, and regional assemblies including ones for the Celts, which might very well be returned by some other form of PR. All this may seem radical, and, give or take an argument about particular items, none of it is out of line with the general body of opinion in favour of constitutional reform.

The problem lies in the question, "how do we get there from here?" If the next election produces a *hung Parliament* with every decision dependent upon *Scottish Nationalists* and Liberals, there may be a *chance of gradual constitutional* change. The Nationalists would presumably force the regional assemblies upon us and the Liberals would try to force PR. But experience with such a Parliamentary arrangement over the past couple of years is only moderately encouraging. And if the Scottish Nationalists fail to improve on their present 27 per cent. *or so of the Scottish vote* there will be little point in bas*ing hopes on them for much* longer.

It is for this reason that of all the possible futures a further *period of steady* decline, *with* politicians falling even more out *of favour, seems the* most likely one. If the Commons is as powerful as Lord Hailsham says it is, it will not relinquish its powers unless it is forced to. As for the civil servants—the "guardians"—who ever heard of such a powerful and entrenched *elite* giving up without a struggle?

It *is* for this reason that one turns to the idea of revolutionary change. What is meant by this? To an incoming right-wing Conservative administration it might mean no more than an attempt to lower taxes and reduce the extent of public ownership—while sending Mr. James Prior to massage the necks of the leading members of the TUC. To a Marxist it no doubt means the bloody overthrow of the existing order.

In the context of this article it means something more disturbing than the first of the above two, but without the violence of the second. Consti*tutional reform must involve* some kind of PR for the Commons, an elected *Senate*, a written basic constitution, a Bill of Rights and possibly a federal structure. None of this could be had in the absence of a popular campaign in its favour, but if there were such a campaign and it was victorious the result would be little short of another bloodless English Revolution.

Our would-be *constitutional* reformers apparently fail to appreciate the need for popular support; they prefer discreet club lunches with "*the right* people." Those in positions of inordinate *power* — top civil servants or unrepresentative trade union general secretaries —can swallow such reformers for breakfast; only a popular movement would have the necessary strength to defenestrate them. But there is no such movement on the horizon.

In short, Britain is unlikely to move from its present course of steady decline until there is widespread understanding of the central point: that there is a need for change so fundamental that while its methods need not be that of a bloody revolution its effects would be truly revolutionary. This may seem harsh, but what *is* more likely to happen—the return of a *Conservative* or *Labour* Government and the continua*tion of our sorry deterioration* — might in the end be even *more harsh on more of us.*

* *The Dilemma of Democracy. Diagnosis and Prescription, Lord Hailsham: Collins, £4.50.*

Joe Rogaly

Letters to the Editor

Retrospective legislation

From the Director, Aims for Freedom and Enterprise.

Sir,—A justified outcry has followed the Chancellor of the Exchequer's proposal to bring in retrospective legislation in the coming Finance Bill. The fact that such behaviour is constitutionally wrong was thought to have been established in this *country nearly 30 years ago.*

Retrospection should be *fought even harder to-day than* it was then. We must defend the principle that we live under the rule of law. It is offensive to declare that a man has behaved criminally when, at the time he acted, his actions were perfectly legal. But to-day we also see an increasing tendency for the *Government to try to rule by* decree—as in the attempts to pressurise employers not to breach incomes guidelines which have been given no foundation in law.

The Chancellor is entitled to block tax avoidance loopholes, if this is considered desirable. Until he does, no one should be guilty of an offence for legally minimis*ing the tax he pays.*

But the main reason for opposing Mr. Healey is that men must be free to act with the *guarantee that they will not be* arbitrarily judged to have broken a law or a decree at some later date. Such uncertainties can only discourage respect for the law and lead to more secretive actions and undercover deals.
Michael Ivens.
5, Plough Place, Fetter Lane, E.C.4.

Defending the indefensible

From Mr. W. Olins.

Sir,—Mr. Derby (April 14) appears to believe that motorway service areas can't be criticised because they are on public trial. They aren't, although perhaps they ought to be.

As chief executive of the British Hotel and Caterers Association, Mr. Derby's views on motorway service areas are no *doubt no more subjective than* those of Mr. Ronay—of whom he so strongly disapproves—or, for that matter, than my own.

My opinions are based on many thousands of miles of annual business motoring on the *roads in Britain and Europe. My* view is that motorway service areas are the quintessence of everything that is shameful and shaming about Britain. They are *infinitely worse than* the worst that Europe can provide. *Not only is the food inedible* but it is usually served in a fashion which at best is indifferent but is usually hostile, in buildings which, through lack of maintenance, have degenerated into a midden.

Mr. Derby *would perhaps* be better employed by getting his members to mend their ways than in attempting to defend the indefensible.
Wally Olins.
2, Dukes Road, W.C.1.

M-way service areas

From Mr. Egon Ronay.

Sir,—Some motorway caterers are now trying to influence public opinion in a roundabout way, not, unfortunately by a radical increase in standards. Sir Charles Forte has called the Government inquiry, headed by Mr. Peter Prior, "impudence" because "we are the best in the world." Then, perhaps under the influence of this very powerful but (numerically) minority member of the British Hotels, Restaurants and Caterers' Association, the association's spokesman, Mr. Clive Derby, in his letter on April 14 lists further irrelevancies.

"Referees" he calls the inquiry, as if the matter of feeding millions of motorists were a game, *in which I am trying to* influence the "ref." But to in*fluence is precisely my aim.* Indeed, the committee was appointed after our 1977 survey and the media's reactions.

He is wary of accusing the Transport and General Workers' Union (though not me) of "jumping on the publicity bandwagon" which published its find*ings on the subject* simultaneously with my organisation's. The noises his letter makes about the difficulty of feeding masses is no consolation to motorists.

Last December the committee of inquiry generally asked for evidence, and I responded by *submitting the confidential* reports on which our 1977 survey was based. It was only after our 1978 survey that the committee invited me to make suggestions for improvements. So Mr. Derby's jibe about "bad manners" *is a forerunner of the* many red herrings the public *are bound to be served.*
Egon Ronay.
Greencoat House, Francis Street, S.W.1.

Topping-up benefit

From Mr. R. Sloan.

Sir,—I am grateful to Mr. *Michael Brown (April 14) for* setting out what he considers to be the two main benefits safeguards of contracting-out. It must be remembered however, that the safeguards merely ensure that a minimum benefit broadly equivalent to the earnings-related state pension is *achieved, thus reinforcing* my earlier point that to contract-in plus a suitable topping-up arrangement could well provide better overall benefits.

There is a vital distinction between such a contracted-out *employee who is "not worse off"* than in the state scheme and another who may be genuinely "better off."

Since Mr. Brown has stressed the importance of the apparent benefit safeguarsd of contracting-out, *I must emphasise that* it is largely the employer (and sometimes also the employee) who has to meet the extra cost, hence my previous reference to the "potential financial folly" of bare-bones schemes. Where it seems likely that the contracted-out scheme benefits may end up merely matching the minimum safeguard level, for employees within about 20 years of retirement age, then it would seem more prudent to contract-in and allow the state to *provide* the same benefits at what is effectively a known fixed cost.
R. K. Sloan,
(Director and Regional Actuary)
Martin Paterson Associates,
9 Albyn Place, Edinburgh.

Losing £500 a year

From Mrs. E. Tatham.

Sir,—Regarding John L. Hardi*man's letter headed* "Uninformed women" (April 11). He is quite wrong to assume women choose to remain on the reduced rate National Health contributions because of their *ignorance.*

There are still two rules which married women have to meet before they can earn the full rate basic pension in their own right. The first is a minimum cash sum, the second is that they must have *made the full rate* contributions for a period equalling 9/10ths of their total working lives. Unfortunately, the contributions to the graduated pension scheme (always compulsory and earnings related) are not included for this calculation.

I could achieve only 50p per week *improvement* in pension *in* my own right above that which I shall receive from my husband's contributions if I changed over to full rate now. Furthermore, because the company scheme to which I belong is contracting out *of the state scheme, and using* the state scheme as its base, I shall experience a reduction in anticipated pension of some £500 per annum.

If only the Government would not persist in helping women to be equal.
(Mrs.) E. E. Tatham,
12 Moorside, Welwyn Garden City, Herts.

Real fuel prices

From Mr. P. Bateman

Sir,—In your item on the new insulation grants (April 13) you quote Dr. John Cunningham as saying that fuel costs could double in real terms by the end *of the century*, and Professor Posner states that over the next decade energy prices could rise by half in real terms. While it may be convenient for statisticians to discount the effects of inflation, the householder who *has to pay for his fuel knows* that inflation is all too real a part of his own calculations.

Recently fuel prices have risen 50 per cent. a year and if one accepts a compound rate of inflation of 10 per cent. a year to-day's price will rise by 160 per cent. in ten years. Within seven *years the current price will have* doubled.

This makes all the more important the use of adequate and safe cavity wall and roof insulation provided that the materials used are not likely to cause problems in the future and that in our enthusiasm for insulating *our roofs we do not so* block up all the ventilation to the extent that severe condensation results. In the case of roof insulation it is particularly true that a little learning can be a dangerous thing.
P. L. G. Bateman.
Rentokil House, Garland Road, East Grinstead, West Sussex.

Accountancy guidelines

From Mr. A. Shearer.

Sir,—In your columns of *April* 12 Professor Baxter discusses the Hyde accountancy guidelines and he argues in favour of CPP (the current purchasing power method). Professor Baxter bases his argument on the fact that "*owners should judge that their* capital is maintained . . . if it will generate the same future earnings."

I wholeheartedly agree with that statement, but companies rarely publish information about *their future earnings, certainly* not sufficient information for owners to determine whether or not the future earnings have been maintained. Furthermore there is little prospect of them doing so.

It is therefore misleading to present information on past earnings in a way that implies that it relates to the maintenance of future earnings. CPP was *rejected and CCA (current cost* accounting) was advocated because the best practical way of estimating future earnings, based on published data, is by extrapolating accurate past information.

Since the aim is to measure the changes in costs as they affect companies (hence the depreciation and cost of sales adjustments), an appropriate index when *monetary assets* exceed liabilities is one that is specific to the changes in costs that affect the company (for instance the index for the cost of sales adjustment, but possibly adjusted to take account of the changing costs of fixed assets and general overheads), rather than a general index.

When liabilities exceed monetary assets the Hyde gearing adjustment still takes account of the change in costs that have affected the company during the year. In these circumstances the gearing adjustment is based on the changing *costs that have been experienced* by the company and which have been charged in the profit and loss account.

If inflation causes the value of a company's assets to increase by 25 per cent., then that company *will find it "easier"* by a corresponding amount to repay *its liabilities.* But a balance sheet reflects neither the value of nor the future earnings attributable to a company's assets. Rather, the balance sheet comprises the historical cost of the assets (or their *current equivalent costs*). *It is* misleading, and an over-simplification to pretend that the effect of the burden to repay a liability is reduced because of the change in costs experienced by others, or else because of an increase in the cost of replacing the assets. If sales prices *rise at a lower rate* than do replacement costs (as U.K. experience shows) the company will experience increased pressure on its cash flow (in order to fund those replacement costs) at the very moment it is claim*ing that the repayment of its* liabilities is less of a burden.

The arguments in favour of CPP are valid arguments, but only *if* balance sheets are one day based on future earnings rather than on costs.
Tony Shearer.
Gaston House, Gaston Street, East Bergholt, Suffolk.

Allowing for inflation

From Professor D. Myddelton.

Sir,—To allow for inflation in the tax system a "general index" adjustment is needed to translate money amounts of different dates into "constant purchasing power." *This has* recently been recommended by the Meade Committee here and by Professor Hofstra in Holland.

The same kind of adjustment is needed in company accounts, yet most companies still seem content to ignore inflation. The so-called "Hyde guidelines" *won't work:* they leave the balance-sheet unchanged and permit no sensible comparisons over time.

The only genuine way to account for inflation is the CPP (constant purchasing power) *method, using an index of* general purchasing power to adjust money amounts. The simplest CPP approach adjusts conventional historic cost accounts, while a more complex alternative (still based on CPP) *could be used to adjust some* form of replacement cost accounts.

What sound arguments are there against general index-adjustments? (The Sandilands Committee opposed them nearly *three years ago, but gave un*convincing reasons.)

Whether there might be sufficient advantages in also switching from historic cost to replacement cost accounting is a quite different question. As the *English Chartered Accountants* have clearly recognised, the Sandilands Committee was wrong to assert that CCA (current cost accounting) is "a fully comprehensive method of accounting for inflation." CCA has nothing whatever *to do with* inflation.

Adjustments based on a general index of constant purchasing power are both neces*sary and sufficient to allow fully* for inflation. How much longer can company accounts and the tax system go on ignoring the staggering fact that in the past ten years the purchasing power of the pound has fallen by about two-thirds?
D. R. Myddelton.
Cranfield School of Management, Cranfield, Bedford.

To-day's Events

GENERAL

Mr. Michael Foot, Lord President of the Council, and Mrs. *Barbara Castle MP address public* meeting in Central Lambeth *by-election campaign*, Lambeth Town Hall, S.W.2, at 8.15 p.m.

Mr. David Basnett, general secretary, General and Municipal Workers' Union, speaks at Scottish TUC Conference, Aberdeen.

Mr. Robert Cryer, Under-Secretary, Industry, addresses Small Firms Group of London *Chamber of Commerce on* "The Government and Small Firms" at 69, Cannon Street, E.C.4, 10.30 a.m.

International Civil Aviation Organisation meeting continues, Montreal.

Law of the Sea Conference continues, Geneva.

Combined meeting of European Nuclear Medicine Society and British Nuclear Medicine Society continues, Imperial College, S.W.7.

British/Polish conference on coal mining and utilisation continues, *Mining Research* and Development Establishment, Bretby, *Derbyshire.*

Mr. Kingman Brewster, U.S. Ambassador to the U.K., speaks at banquet following conclusion of World Conference of Retailers, *Grosvenor House, W.1.*

M. Pierre van Halteren, Burgo*master of Brussels Town Com*munal Administration, and Madame van Halteren arrive at *Mansion* House for three-day official stay as guests of City Corporation.

National Union of Journalists' conference opens, Whitley Bay (until April 22).

Autoquip '78 Exhibition opens, Wembley Conference Centre (until April 22).

PARLIAMENTARY BUSINESS

House of Commons: Wales Bill, *committee.*

House of Lords: Scotland Bill, committee. Housing (Financial Provisions) Bill, report stage. EEC business on various definitions of treaties Orders.

Select Committee: Expenditure (*General sub-committee*). *Subject:* Response to White Paper on Civil Service (Cmn. 7117). Witness: Lord Peart (Lord Privy *Seal*), 4 p.m., *Room 6.*

COMPANY RESULT

BSG *International (full year).*

COMPANY MEETINGS

National Westminster Bank, Winchester House, E.C., 12. Vantona Group, Midland Hotel, *Manchester*, 2.45.

OPERA

Royal Opera production of Der Freischutz, Covent Garden, W.C.2, 7.30 p.m.

English National Opera perform Carmen, Coliseum Theatre, W.C.2, *7 p.m.*

MUSIC

Margaret Phillips gives organ recital of works by Andriessen, J. S. Bach, Buxtehude, and Dupré, St. Lawrence Jewry next Guildhall, E.C.2, 1 p.m.

SPORT

Golf: Uniroyal tournament, West Malling, Kent.

COMPANY NEWS + COMMENT

Currys improves after second-half upturn

INCLUDING A £571,000 surplus on sale of properties, compared with £208,000, Currys marginally increased taxable profit by £0.29m. to £10.32m. in the year to January 25, 1978. Sales were better at £163.1m., against £144m.

Halfway when the surplus was down at £3.23m. (£3.68m.), the directors said that trading conditions continued to put pressure on margins. Turnover in volume terms was at a maintained level and there was very little sign of an upsurge.

The net dividend for the year is stepped up to a maximum permitted 4.53961p (4.06439p).

Tax took £5.31m. (£5.23m.) leaving a net balance of £5.01m. (£4.79m.).

	1977-78 £000	1976-77 £000
Sales	163,137	144,017
Interest received	529	1,125
Properties sale surplus	571	206
Amort. and depreciation	1,326	1,647
Provision*	1,275	1,308
Pre-tax profit	10,318	10,025
Tax	5,309	5,229
Net profit	5,009	4,797

* Increase in provision for unmatured profit on credit trading.

● comment

The long-awaited upsurge in consumer spending did not come early enough last year to have a significant impact on Currys figures. Sales in the second half-year, ending January, are only 11½ per cent. up on the corresponding period. All of this probably relates to price rises, so volume has been static at best and margins have slipped a little. After setting aside £14m. (1977—£1½m.) to top up the provision for unmatured profit on credit sales pre-tax profit is just 3 per cent. up on last year, despite the extra turnover from the Loyds shops acquired in August 1976. However, Currys says that trading has improved noticeably since before Christmas and sales now appear to be well up to expectations. So pre-tax profits for next year could be in the region of £12m., which puts the shares on a prospective multiple of 7, fully taxed.

HIGHLIGHTS

SHELL IS worried about the impact of the American accounting standard FAS 8 and as such is giving shareholders an early warning to figures due in a month's time. The profits performance at **Rugby Portland** is good while the company is proposing to reorganise its capital structure. **Morgan Grenfell** is making its second rights issue in four years while Lex also takes a look at the boom in America both on Wall Street and the Dollar. Following a sharp second half spurt the outcome from Blackwood Hodge is encouraging in light of the world recession. The second half at Curry's however, failed to show the long awaited upturn in consumer spending.

Zenith expects slowdown in performance

It is unlikely that **Zenith Carburettor Corporation** will repeat the 1977 record taxable profit of £1.32m. in the current year, members are told.

The first quarter of 1978 has seen a continuation of the low outputs of the second half of last year and while there are signs of some increase it does not appear possible that this will reach the level of the start of 1977, the directors say.

Strong efforts are being made to increase the application both of existing and new products but the proving time for new applications is long and, while some success is expected from these efforts, it will not be effective in the present year, they explain.

For 1977, as reported on April 5, profit was ahead from £1.21m. to £1.32m. on sales of £11.76m. (£10.73m.). The net dividend is increased to 4.39775p (3.9375p).

MORRIS ASHBY

The offer by **Billiton (U.K.)** for **Morris Ashby** became fully unconditional on April 12—100 per cent. acceptances were received in respect of both the Ordinary and Preference Shares.

Upsurge for London United

DOUBLED TAXABLE earnings for the second year running are reported by **London United Investments**. For 1977 profit has advanced £1.74m. to a record £3.48m. on turnover ahead from £9.22m. to £16.72m.

Also the directors state that with a proposed three-for-one scrip issue, together with consolidation of the new and existing 5p shares into 20p each, fully paid, the company will acquire trustee status.

Operating surplus expanded to £3.83m. (£2.06m.) with 85 per cent. of the total coming from insurance activities which contributed £3.28m. (£1.86m). The majority of this was earned overseas. Other interests increased profit from £194,000 to £546,000.

Stated basic earnings per share were higher at 18.13p (12.15p) and a net final dividend of 2.10298p lifts the total to a maximum permitted 4.20596p (3.76568p).

● comment

London United's profits have doubled for the second successive year and the shares jumped 8p to 148p. The bulk of profits come from premiums and commissions earned by the group's *insurance companies, which* specialise in excess loss business from the U.S. non-marine sector. Being a non-tariff company, London United's premiums are not regulated and much of the 76 per cent. increase in insurance profits is due to big rates rises. Weavers, the underwriting company, continues to do well while Walbrook has gone from strength to strength. Elsewhere Collis Cold Containers (a quarter of 1976 sales) continued to make progress, especially overseas. The company has already sold off its stake in Premier Consolidated Oilfields and intends to run down its property interests in Brightstone. The shares are on a p/e of 8 while the yield is 4.4 per cent.

Electronic Machine closure

Electronic Machine Company intends to close the metal pressing subsidiary Ellvin and Co. This company continued to make substantial losses in the half year to October 31, 1977; although severe action taken has reduced these to a much lower level, the trading position, and the trading prospects, continue to worsen.

The Board, therefore, believes it has no alternative but to terminate the operations of this subsidiary.

Recovery seen by Royal Worcester

FOLLOWING THE severe shortfall last year in the results of the U.S. and Canadian operations of Royal Worcester Spode, Sir Ronald Fairfield, chairman of Royal Worcester reports that the benefits of the merger are now commencing to be realised and he foresees this part of the group recovering strongly in 1978.

Now that sound foundations have been laid for RWS its performance should improve progressively to a very satisfactory level, adds Sir Ronald.

Apart from RWS the group result was adversely affected by the decline in earnings at Welwyn Electric and Colvern in the latter part of the year. Both are expected to recover well in 1978 benefitting from the measures taken last year and increased demand for telecommunication and new and improved products.

The chairman says that trade generally is not buoyant and as yet shows little sign of recovery in 1978. He feels that 1977 must be regarded as an abnormal one for RWS, and for the group as a whole 1978 should see a satisfactory recovery in profit.

The group pre-tax profit in 1977 showed a reduction from £1.56m. to £1m. This was struck after abnormal charges of £684,000 in RWS, whose profit contribution dropped from £1.53m. to £508,000. The RWS balance sheet as December 31 revealed cash down from £795,000 to £317,000 while overdrafts had risen from £739,000 to £2.04m.

During the year Royal Worcester Industrial Ceramics continued to perform very satisfactorily with operating profits up by 26 per cent. On the basis of a good order book at the beginning of 1978 this company anticipates further growth.

At Welwyn Electric expense reductions coupled with investment in cost reduction equipment made last year will improve the competitiveness of the company. In the longer term for profits to be sustained at an unacceptable level under cost inflation, the chairman says that growth in home and export sales will be essential. This also applies to future earnings of Colvern.

This company made a loss in the second half of 1977 but as a result of measures taken will be back in profit in 1978.

The accounts reveal that during the year the group made a payment to a director of £31,000 on the termination of service contract.

Capital expenditure during 1977 increased from £1.29m. to £1.84m. and the group absorbed additional cash of £1.33m. provided by increased short term borrowings which went up to £2.05m.

Meeting Brown's Hotel, W, May 11 at noon.

Norfolk Capital borrowings

A MOVE to restructure borrowings has been made by Norfolk Capital Group, the hotel and property company headed by Mr. Maxwell Joseph. Yesterday it announced that its new bankers, Midland, had agreed a £7m. loan package which puts the short-term borrowings on to a longer basis and gives the group a new overdraft and standby facility of £3m.

The deal represents the latest—and hopefully the last—move in a series of manoeuvres aimed at getting Norfolk fully back on its feet following the 1973 acquisition of Associated Hotels for £8½m., which led to three years without a share listing.

The first move was to sell three of the London hotels, the Shaftesbury, the Prince of Wales and the Kensington Palace, and the restaurant chain. The second was to bring trading back into profit, an aim finally achieved in the second half of last year when pre-tax profits for the year were a record £451,000.

The remaining outstanding priority was to reduce or restructure the bank loans and overdrafts which amounted to £4.44m. last year. Yesterday's announcement goes some way along this path. Midland has provided Norfolk with £4m. of medium term loans (one of three years and one of seven years) at rates averaging out at 1½ per cent. above the London inter-bank rate.

This package covers the previous short term loans. In addition there is a further £1.5m. standby facility and a similar amount by way of overdraft.

The money will be spent in modernising the group's hotel facilities—increasing the number of bathrooms and adding other facilities like the Real Ale pub attached to the London Royal Court hotel. A further sum is earmarked for development of buildings ancillary to the hotels acquired with the Associated deal which will swell the rent roll.

Yesterday Mr. David James, managing director of Norfolk, claimed that occupancy rates in the hotels were high and that profit margins had improved as a result of the end of the "deep discounting" which has been common practice over the last few years.

It would take a further year before rates were fully back to normal, he said.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Blackwood Hodge	2.9	—	2.6	4.5	4.08
Brooks Watson	1.56	June 9	1.3	2.08	1.82
Currys	5.54	—	4.06	4.54	4.06
East Rand Cons.	1.05	June 1	1	1.05	1
Equity Income Trust int.	3.96	—	2.6	—	8.58
Hoveringham	1.53	—	1.36	2.08	1.86
London Utd. Investments	2.1	June 16	1.88	4.21	3.77
Newarthill	4.84	—	4.4	4.84	4.4
Reed Executive	1.64	June 2	1.11*	2.75	1.67*
Revertex Chemicals	3.4	July 2	3.11	5.16	4.87
Rugby Portland	1.81	July 3	1.49	3.48	3.14
Rugby Portland int.	1.84	Oct. 29	1.67	—	3.48
Utd. Friendly Ins.	3.33	May 23	3.12	4.88	4.82

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Revertex held to £2.8m. by low margins

THE SQUEEZE on margins seen in the second half of the previous year continued through 1977 for Revertex Chemicals, depressing taxable earnings by £0.49m. to £2.81m. on sales up 33 per cent. to £59.51m. A one-for-two scrip issue is proposed.

With the strengthened pound there was also no benefit during the year from changes in the exchange rate, Sir Campbell Adamson, the chairman, points out. At halftime profit was down at £1.57m. (£1.81m.).

In the current year there has been some increase in the volume of business but the problems of over-supply in the industry remain and the future position on margins therefore stays uncertain, *he says.*

	1977 £000	1976 £000
Sales	59,508	44,789
Trading profit*	2,768	2,732
Share of associates	641	994
Interest	594	443
Pre-tax profit	2,815	3,308
Tax	1,430	1,714
Net profit	1,385	1,569
To minorities	117	102
Extraord. debits	549	†79
Attributable	919	1,566
Ordinary dividends	490	462
Retained	429	1,104

* After depreciation of £1.06m. (£0.97m.). † Credits.

Earnings per 25p share are shown lower at 13.36p (15.67p) and a net final dividend of 3.4p lifts the total to 5.16p (4.865p).

The group processes natural rubber latex and manufactures synthetic rubber latex, synthetic resin emulsions, compounds and noise control and corrosion resistent products.

● comment

Major customers for Revertex's specialist chemicals are the carpet, paper, paints and packaging industries none of which had a particularly exciting 1977 and some of which were in deep trouble. Therefore, it is hardly surprising that group pre-tax profits slipped 15 per cent. and margins—under stiff competitive pressures—fell 2.6 points to 4.7 per cent. *The carpet industry* accounts for around 25 per cent. of turnover and the group was badly affected by the incidence of U.K. bankruptcies in this industry last year—which cost around £180,000 in bad debt write-offs. The synthetic rubber side was worst affected with Doverstrand a particularly poor performer. A better performance in 1978 is going to depend to a great extent upon levels of consumer spending, particularly overseas which accounted for around 70 per cent. of turnover last year. But prospects for a major recovery do not look encouraging, although the group may be poised to make some new acquisitions as borrowings were reduced last year as a result of the sale of part of its Malay interests. The shares at 87p yield 9.4 per cent. on a 6 per cent. dividend increase, while the p/e is 6.3.

IN BRIEF

ACORN SECURITIES—Net asset value per Capital share as at February 28, 1978, 99.26p (90.03p).

ALBANY INVESTMENT TRUST—Net revenue year to February 28, 1978 £68,501 (£55,282) after tax £36,461 (£31,049). Final dividend 0.77484p making 1.1748p (1.007p). Net asset value per 20p share 33.73p (29.81p).

ALLIANCE TRUST COMPANY—Results for year to January 31, 1978, reported March 4. Quoted GB investments at or under cost £23.47m. (£23.31m.), outside GB £8.36m. (£6.35m.) unquoted £0.22m. (£0.35m.) and temporary loans £2.88m. (£2.58m.). Liquidity up £277,000 (down £240,000). Meeting, Dundee, May 5, 11.30 a.m.

ALVA INVESTMENTS TRUST—Final dividend 3.3p making 6.105p (5.2p) year to February 28, 1978. Net revenue £106,556 (£90,737) after tax £55,197 (£48,857). Earnings per share 6.66p (5.67p). Net asset value per share 186p (113p).

BRITISH EMPIRE SECURITIES AND GENERAL TRUST—Total income for half-year to March £127,303 (£109,194). Net revenue £74,510 (£62,810) after tax £36,870 (£33,240), etc. Interim dividend 0.17p (0.15p). Net asset value 14.3p (11.4p) per share.

F. COPSON (suppliers of heating equipment and builders' materials)—Profit for six months to October 31, 1977, £62,487 (£64,344) before tax £30,012 (£33,459). Turnover £2,155,927 (£1,919,748). Board confident that results for full year will compare favourably with £162,000 of previous year.

MONTAGU BOSTON INVESTMENT TRUST—Results for year to January 31, 1978, reported March 21. Investments £7.04m. (£8.91m.) including £2.59m. (£1.69m.) gilts. Net current liabilities £1.62m. (£2.5m.). Meeting, 117, Old Broad Street, E.C., on May 5, at noon.

NEW LONDON PROPERTIES—Pre-tax revenue for 1977 £958,988 (nine months—£451,932). Tax £465,567 (£269,240). Earnings per share 11.36p (4.4p). Final 4p making 6.5p (4p). Company is a subsidiary of Pearl Assurance.

RATCLIFFS (GREAT BRIDGE) (non-ferrous strip manufacturer)—Results for 1977 reported February 24. Fixed assets £3.52m. (£3.52m.), net current assets £6.43m. (£5.87m.), bank overdrafts nil (£0.83m.). Capital expenditure contracted £465,500 (£247,790) and £60,500 (£51,399) not contracted for. Liquid funds increased by £837,790 (£369,980 decrease) *arising from lower copper prices, particularly during last three months of* year. Meeting, Birmingham 15, April 25 at 3 p.m.

RHODESIAN CORPORATION—Pre-tax profit, year to September 30, 1977, £695,000 (£463,000). Tax £280,000 (£232,000). Earnings per share 4.5p (3.6p). Dividend 0.56p (0.55833p).

Hoveringham surges 63.9% to £3.55m.

AS ANTICIPATED the progress made in the first half of 1977, when profits rose from £1.23m. to £1.56m., continued at Hoveringham Group and for the full year the pre-tax figure finished 63.9 per cent. higher at £3.55m. This was achieved on a 15.2 per cent. increase in turnover from £30.57m. to £35.24m.

Stated earnings are 8.5p (5.7p) per 25p share and the net dividend total is stepped up from 1.8623p to 2.08p with a final of 1.53p.

	1977 £	1976 £
Turnover	35,236,488	30,565,890
Trading surplus	4,930,407	3,393,451
Interest	321,885	289,869
Depreciation	874,459	775,934
Land depletion	213,846	193,616
Share of associate	33,822	13,147
Profit before tax	3,553,799	2,167,555
Tax	1,935,009	1,061,460
Net profit	1,618,790	1,106,095
Extraord. credits	36,344	9,577
Available	1,655,134	1,115,672
Preference dividends	85,750	85,750
Interim dividend	99,252	90,229
Final	376,111	245,840
Retained	1,194,021	693,853

—Table ... ...fip

The group carries on business as a quarry operator producing sand, gravel, limestone and gritstone. It also produces ready mixed concrete and is in the leisure and insurance industries.

● comment

Hoveringham's pre-tax profits rose 64 per cent. last year largely as a result of improved trading profits margin especially in the second half when it gained nearly 5 points to 15 per cent. Reflecting the bleak trading conditions in the industry last year, sales volume showed no change from 1976 levels. So the good profit growth indicates benefit from its vertical integration: from sand and gravel through to ready mixed concrete. Its balance sheet remains strong with the higher interest charges reflecting less interest earned following the decline in interest rates last year rather than any significant increase in long-term borrowings. In line with the industry's leaders Hoveringham is now less pessimistic about the future and expects to see a slight volume growth this year. The shares rose 3p to 75p yesterday which give a p/e of 8.6 on a yield of 4.3 per cent. compared with Ready Mixed Concrete's 7 and 7.9 per cent. respectively.

Newarthill near £12m.

FOR THE year to October 31, 1977 pre-tax profits of Newarthill, the construction and property company which takes in the family interest of Sir Robert McAlpine, shows a £6.31m. advance at £11.55m. However, the second half of the year resulted in a decline from £4.42m. to £3.7m., for midway profits were £7.03m. ahead at £7.85m. Turnover for the 12 months declined from £174m. to £148m.

At the interim stage the exceptional rise was reported to be attributable not only to the resolution of financial problems of North Sea platform contracts but also to receipt of very substantial sums on settlement of other contracts.

Expressing confidence Sir Robert McAlpine, chairman, said at the time that, while results achieved in the first half would not be repeated, the year as a whole would show substantial improvement over recent years.

Yearly earnings per £1 share are shown to have risen from 13.2p to 34p and the dividend is raised from 4.4p to 4.84p net.

Tax absorbed £5.83m. against £2.88m. and there were extraordinary debits of £41,006, compared with credits of £250,208. The attributable balance, excluding minorities (which were a loss), came through at £5.72m. (£2.36m.).

● comment

Most of Newarthill's profits rise came in the first half, which saw the benefit of the three North Sea platforms built at the Ardyne Point yard, while at the same time there were substantial receipts from other contracts. But while this left full year profits 120 per cent. higher, the second half showed a 16 per cent. downturn, no doubt reflecting the depressed conditions in the U.K. construction market. The severe winter conditions of the past few months will, meanwhile, have affected the current period. At 160p the shares are on a p/e of 4.6 while the yield is 4.7 per cent.

MONEY MARKET

Nervous trading

Bank of England Minimum Lending Rate 7½ per cent. (since April 11, 1978)

Conditions were extremely nervous in the London money market yesterday, largely as a result of Press comment about the immediate trend in Bank of England Minimum Lending Rate. Interest rates for the longer periods rose sharply on speculation that a Minimum Lending Rate of 7½ per cent., set as part of the Budget, may not prove high enough, while discount houses buying rates for three-month Treasury bills increased to 7 1/16-7⅛ per cent., above the trigger point for a rise in MLR if repeated at Friday's Treasury bill tender.

Day to day credit was in short supply and the authorities gave assistance by buying a moderate amount of Treasury bills and a small amount of local authority *bills, all* direct. *Total* assistance was large and possibly *overdone.* The market was faced with a substantial excess of revenue payments over Government disbursements and a very slight rise in the note circulation. On the other hand there is a considerable net sum of maturing Treasury bills.

Discount houses paid around 5½ per cent. for secured call loans at the start and closing balances were taken anywhere between 5 per cent. and 6 per cent. In the interbank market overnight loans opened at 6-6½ per cent. and fluctuated between 5 per cent. and 7 per cent. before settling at 5¾-5½ per cent. at lunch. With uncertain conditions prevailing, rates continued to vary before closing in the region of 7 per cent.

Rates in the table below are nominal in some cases.

Apr. 17 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	5-7	—	—	—	6¼	4-6	—	—	—
2 days notice	—	—	6¼-6½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	6¼-6⅝	6½	—	6½-7¼	6¾	5½-6½	—	—	—
One month	7 1/16-6 15/16	6⅞	6¾-7	7¼-6¾	7⅛-7½	7½	6½	6 15/16	7 1/16-7⅛	7½-7¾
Two months	7⅝-7 7/16	7⅛-7⅝	—	7¾-7⅛	7½-8	—	6¾	7-7⅛	7⅜	7⅝
Three months	8 1/16-7 15/16	7½-8¼	7¾-8	8-7½	8-8½	8 1/16	7	7-7⅛	7½-7⅝	8
Six months	8⅛-¼	7⅞-8⅝	8¼-8½	8¼-7⅝	8⅝-9¼	—	—	—	8¼	8¾
Nine months	8⅞-8 7/16	8¾-9	—	9¼-8½	9⅜	—	—	—	—	—
One year	9-8⅝	8¾-9⅛	8½-8¾	9⅜-8¾	9½	—	—	—	—	—
Two years	—	—	9½-9⅞	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice others seven days' fixed. Long-term local authority mortgage rate nominally three years 10½ per cent.; four years 11½-11¾ per cent.; five years 11¾ per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 7¾-7⅞ per cent.; four-month trade bills 8¼ per cent.

Approximate selling rates for one-month Treasury bills 6 15/16 per cent.; two-month 6⅞ per cent.; and three-month 6 15/16-6⅞ per cent. Approximate selling rate for one-month bank bills 6¾-6 15/16 per cent.; two-month 7¼-7 3/16 per cent.; and three-month 7 5/16-7¼ per cent. One-month trade bills 7½ per cent.; two-month 7¾ per cent.; and also three-month 7¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 7 per cent. from April 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Base Rate for lending 6½ per cent. Treasury Bills: Average tender rates of discount 6.9691 per cent.

Blackwood Hodge jumps 31% to peak £16.6m.

ON TURNOVER up from £249.96m. to £282.27m. pre-tax profit of Blackwood Hodge jumped 31 per cent. from £12.71m. to a record £16.63m. in 1977. At halftime, profit was £1.26m. ahead at £7.65m.

Directors say that in all major areas except Europe, sales and trading profits increased in sterling values, with the U.K. and African results outstandingly good. In Australia and North America, important gains were made, and further improvement is looked for.

In the first two months of 1978 estimated trading profits have shown a small decline, but operating budgets indicate group sales and trading profits for 1978 will be in excess of 1977 levels.

Despite the threats of a decline in world trade, the problems of currency fluctuations and political unrest, directors believe that by obtaining a larger market share and restricting overhead increases it will be possible to show a further improvement in trading profits.

They point out that in 1977 the pre-tax profit margin on sales increased from 5.1 per cent. to 5.9 per cent. One of the major causes was that interest charges, at £9.3m., remained about the same as last year's £9.17m., despite the increase in group turnover.

They say the comparison with 1976 figures is affected by high rates of inflation in certain territories and by currency fluctuations. The group, however, showed real growth in profitability and net worth.

Attributable profit came out at £8.26m. (£5.56m.) after tax of £8.54m. (£7.49m.), minority interests (mainly in Nigeria) of £1.59m. (£0.98m.) and an extraordinary loss of £3.27m. (£1.3m. surplus) on the conversion of net assets of overseas subsidiaries. A £5.04m. release was also made from deferred tax.

At year end current assets decreased £14.2m. to £168.38m. (mainly through a fall in stocks and debtors), and current liabilities declined by £20.2m. to £135.88m., leaving net assets of the group up by £8.2m. to £74.9m.

Also £2.8m. was added to reserves following a revaluation of properties, less exchange adjustments.

Earnings per 25p share are shown at 15.98p (10.66p) basic, and 14.69p (9.9p) fully diluted.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TO-DAY

Interims:—Beradin Rubber Estates, Peter Brotherhood, Dowding and Mills, Walker and Homer.

Finals:—B.S.G. International, J. Compton and Webb, Cosalt, Estates and General Investments, Francis Industries, Hawker Siddeley, Helene of London, Higgs and Hill, Home Charm, F. Miller (Textiles), M. F. North, Provident Life Association of London, Supra Group, Tern-Consulate, Wadkin.

FUTURE DATES

Interims:—

Lyles (S.)	Apr. 28

Finals:—

Bradwall (F.M.S.) Rubber Estates	Apr. 19
Cole (R. H.)	Apr. 21
Corinthian Holdings	Apr. 24
Futura	Apr. 25
General Scottish Trust	Apr. 20
Gibbs (Antony)	Apr. 19
Leadenhall Sterling	Apr. 20
Rush and Tompkins	Apr. 21
Sears Holdings	May 4
Shaw (Francis)	Apr. 21
Silentnight	Apr. 25
Travis and Arnold	Apr. 25
Whatman Reeve Angel	Apr. 28
Wilson (Connolly)	Apr. 20

A final dividend of 2.904p against 2.6p takes the total to 4.506p compared with 4.033p last year.

A one-for-two scrip issue is proposed and the share capital is to be increased to £20m. by the creation of 20m. shares of 25p, to allow for the full conversion of the 9 per cent. loan stock.

	1977 £000	1976 £000
Sales	282,274	249,962
Depreciation	6,289	7,144
Interest	9,297	9,168
Profit before tax	16,629	12,711
Tax	8,544	7,489
Net profit	8,085	5,223
To minorities	1,592	982
Defrd. tax prov. released	5,035	—
Extraordinary losses	3,265	1,314
Attributable	8,263	5,554
Preference dividends	91	91
Interim Ord. dividend	521	468
Final	643	574
Retained	7,008	4,421

The group specialises in the sale and servicing of earthmoving and construction equipment.

● comment

Against an uninspiring world economic background the 1977 results of Blackwood Hodge are encouraging, with profits showing a marked acceleration in the second half, which contributed almost £9m. to the pre-tax total. The shares jumped 9p to 86p on the news. Good performances in the U.K. and Africa have swollen the group aggregate, while Canada has turned round modestly into the black after the 1976 losses. Less satisfactorily, Continental Europe (apart from Spain) has been making a loss after financing charges. However, the group is optimistic about an improvement in Europe this year, and forward projections show an overall uptrend for the group despite the forthcoming sale of a further 20 per cent. of the Nigerian business which could reduce profits attributable to the parent company by £0.75m. or so, on the basis of 1977 profit levels. The year has started quietly, however, with group trading profits slightly lower after two months, and the solid order books have yet to be converted into the expected earnings. The shares look good long term value on a p/e of a fully taxed p/e of under 6.

26.6% rise at Brooks Watson

AS FORECAST Brooks Watson Group improved pre-tax profits in 1977 and finished with a figure 26.6 per cent. ahead at a record £1.51m. And the directors say they anticipate further progress in the current year.

Some £220,000 of the 1977 profit increase came in the second half of the year, after a £100,000 advance to £569,000 at midway. The full year figure was achieved on sales 7.7 per cent. higher at £72.16m.

Tax for the year took £473,000 (£156,000) and earnings per 20p share are stated at 6p (6.02p). The net final dividend is 1.56p for a 2.08p (1.82p) total.

After extraordinary losses of £429,000 (£40,000) the attributable balance emerges at £601,000 (£992,000).

The group, based in Dublin, operates as builders' provider, house builder, food wholesaler and distributor of farm machinery and pharmaceuticals, etc.

Royal warns on rate levels

THE TURNROUND on underwriting, from a loss of £17.8m. to a profit of £15.2m., achieved by the Royal Insurance Company in 1977 represented a further stage in the recovery in underwriting following the stringent remedial action instituted several years ago, states Mr. Daniel Meinertzhagen, chairman. And he looks upon the results as the springboard for further advance in the future.

Referring to a past situation where competition had been carried to extremes leading to underwriting losses and restricted market capacity the chairman sounds a warning that in some areas of the group's business competition is again becoming unrealistic. However, Royal intends to maintain disciplines established in the last difficult few years, if necessary at the cost of temporary restraints on the growth of business.

The group is very conscious of the need for a flexible approach to underwriting and for the ability to respond rapidly to change. It is against this background that the group is working to improve underwriting performance in the current year.

The 1977 underwriting result reflected in particular a very satisfactory profit in the U.K., a turnround in the U.S., where a small profit was achieved compared with a substantial loss, and a profit in Canada following a loss in 1976.

The group's investment policy for general funds has again aimed at striking a reasonable balance between the protection of capital values and the continuing need to improve free resources. This is so that between retained profits and appreciation on investments a sufficient increase in the capital base can be provided to support future expansion as well as increased premium levels arising from the effects of inflation.

The composition of the group's investment portfolios has been arranged to give flexibility to invest in new money in the most advantageous way to achieve these objectives, and in particular to expand equity holdings.

Referring to the motor business in the U.K. and the Republic of Ireland the directors report that this business suffered a severe setback and produced its worst result since 1971. And the directors warn that further increases in premium levels will be inevitable this year.

Competition remains strong and they regard some of the rates now being charged in the market, especially for motor fleet risks, as inadequate. In such circumstances Royal prefers to stand aside rather than write business at rates that the directors consider will produce an underwriting loss.

Referring to the substantially increased retained profits of £49.8m. compared with £28.1m. in 1976, which had provided the bulk of the increase in capital and free reserves, Mr. Meinhertzhagen points out that the rise was virtually in proportion to the growth in premium income. The Royal has therefore "financed from internal sources both the development of new business and the effect of inflation on existing business."

Progress at Change Wares

AT THE trading level, Change Wares almost broken even with a loss of £822 for the 26 weeks to the end of December, 1977, but after additional depreciation of £47,492 on revaluation of fixed assets, and £59,582 interest there was a pre-tax deficit of £97,896. This compares with a £247,000 loss for the similar period of 1976-77.

Because of a change in the reporting period on to a calendar year basis, the current year will be the 12 months to December 31, 1978.

Profitable trading began in the last three months of 1977 and the company has returned to profitability in the first quarter of 1978, Mr. Geoffrey Rose, the chairman says.

On the basis of the present order book and profitability he is confident that the group will achieve full-year profit of not less than £450,000, as forecast at the time of the acquisition of H. Stockwell and Co. in January.

Sales during the six months by the group, which makes wiremesh shelving for the retail trade and wire based components for domestic appliances, slumped from £6.47m. to £3.61m.

At the time of the acquisition of Stockwell and Co. in December 1977, the directors said they proposed to pay a total dividend for 1978 of 0.4p. They now say the current trading position continues to justify this forecast.

For the year to July 2, 1977, there was no final dividend leaving the total payment at 0.4p following a loss of £579,178.

As well as further developing the existing two main areas of business the group continues to pursue its policy of growth by acquisition.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on April 17, 1978. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territories; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate, no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (exC) exchange certificates rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

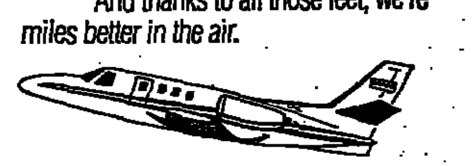
Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the table below are not in all cases closing rates on the dates shown.

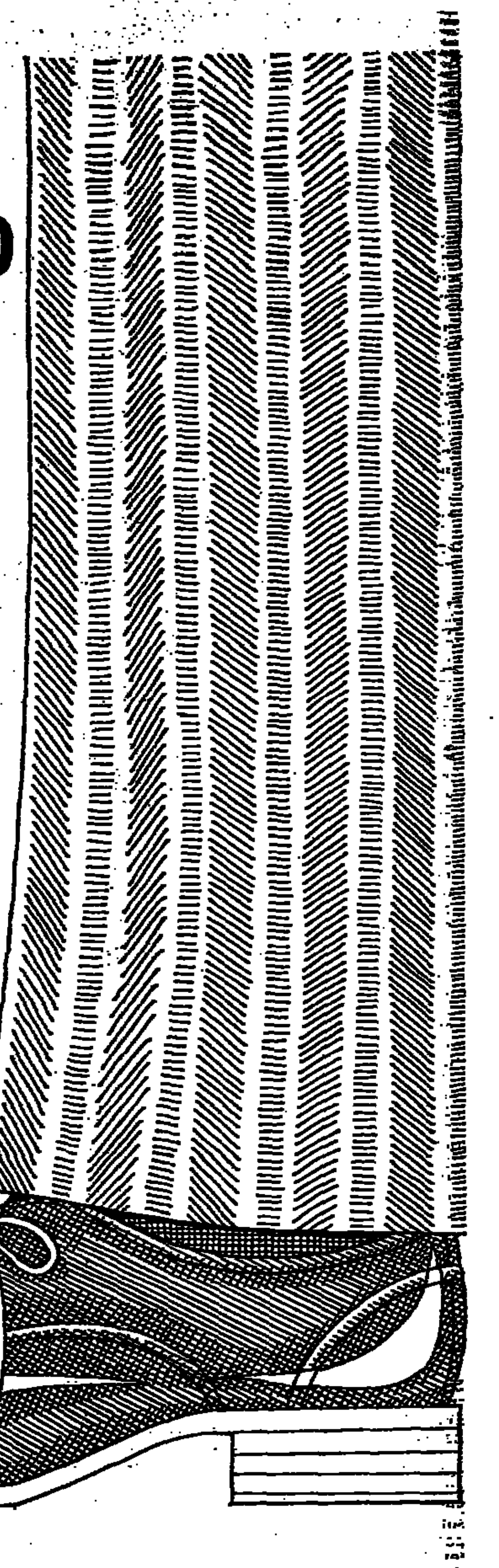
Place	Local Unit	Value of £ Sterling
Afghanistan	Afghani	93.00
Albania	Lak	O9.958
Algeria	Dinar	7.4773
Andorra	French Franc	8.47¾
	Spanish peseta	148.10
Angola	Kwanza	n.a.
Antigua (S)	E.Caribbean $	5.0057
Argentina	Ar. Peso Free Rate	1,670
Australia (S)	Australian $	1.6168
Austria	Schilling	27.22
Azores	Portug. Escudo	76.65
Bahamas (S)	Ba. Dollar	1.8516
Bangladesh (S)	Taka	28.70
Bahrain (S)	Dinar	0.715
Balearic Is.	Spa. Peseta	148.10
Barbados(S)	Barbados$††	3.705
Belgium	B. Franc	(cm) 58.85
		(fn) 58.85
Belize	B $	3.705
Benin	C.F.A. Franc	425.9
Bermuda (S)	Bda. $	1.8515
Bhutan	Indian Rupee	15.874
Bolivia	Bolivian Peso	37.03
Botswana (S)	Pula	1.5334
Brazil	Cruzeiro ‡‡	31.25
Br. Virgin Is.(S)	U.S.$	1.8515
Brunei (S)	Brunei $	4.2895
Bulgaria	Lev	1.71
Burma	Kyat	12.877
Burundi	Burundi Franc	168.455
Cameroon Rp	C.F.A. Franc	425.9
Canada	Canadian $	2.1275
Canary Is.	Spanish Peseta	148.10
Cape Verde I.	Cape V Escudo	n.a.
Cayman Is.(S)	Cay. I. $	1.5429
Cent. Af. Rp.	C.F.A. Franc	425.9
Chad	C.F.A. Franc	425.9
Chile	C. Peso	(Bk) 50.87
China	Renminbi Yuan	3.1794
Colombia	C. Peso	(F) 70.54
Comoro Is.	C.F.A. Franc	425.9
Congo (B'ville)	C.F.A. Franc	425.9
Costa Rica	Colon	15.925
Cuba	Cuban Peso	1.4152
Cyprus (S)	Cyprus £	0.7040
Czechoslovak.	Koruna	(com) 10.50
		(nc) 20.60
		(T) 17.55
Denmark	Danish Krone	10.38¾
Djibouti	Fr.	300.sg
Dominica (S)	E. Caribbean $	5.0057
Domin. Rep.	Dominican Peso	1.8515
Ecuador	Sucre	(O) 46.29
		(F) 48.92
Egypt	Egyptian £	(O) 0.725
		(T) 1.56
Ethiopia	Ethiopian Birr	(P) 3.857
Eq'tl Guinea	Peseta	148.10
Falkland Is. (S)	Falkland Is. £	1.0
Faroe Is.	Danish Krone	10.38¾
Fiji Is.	Fiji $	1.5819
Finland	Markka	7.74
France	French Franc	8.47¾
Fr. C'tyinAf*	C.F.A. Franc	425.9
Fr. Guiana	Local Franc	8.47¾
Fr. Pac. Is.	C.F.P. Franc	154.18
Gabon	C.F.A. Franc	425.9
Gambia (S)	Dalasi	3.844
Germany (East)	Ostmark	3.78¼

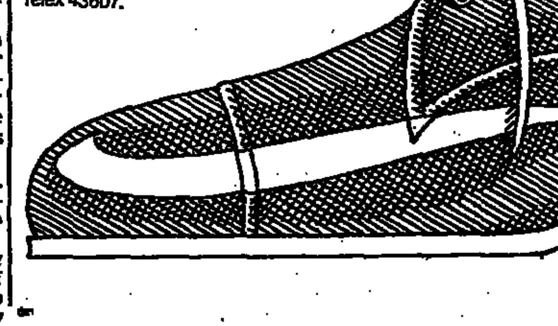
Place	Local Unit	Value of £ Sterling
Germany West	Deutschmark	3.78¼
Ghana (S)	Cedi	2.08(sg)
Gibraltar (k)	Gibraltar £	1.00
Gilbert Is.	Aust. Dollar	1.6166
Greece	Drachma	68.7255
Greenland	Danish Kroner	10.38¾
Grenada (S)	E. Caribbean $	5.0057
Guadeloupe	Local Franc	8.47¾
Guam	U.S. $	1.8515
Guatemala	Quetzal	1.8515
Guinea Rep.	Sily	37.472
Guinea Bissau		76.980
Guyana (S)	Guyanese $	4.7213
Haiti	Gourde	9.257
Honduras Rep	Lempira	3.72
HongKong (S)	H.K.$	8.545
Hungary	Forint	(com) 72.66
		(T) (n.c.) 36.35
Iceland (S)	I. Krona	486.5
India (S)	Ind. Rupee	15.874
Indonesia	Rupiah	768.372
Iran	Rial	(A) 130
Iraq	Iraq Dinar	0.5482
Irish Rep (k)	Irish £	1.00
Israel	Israel £	30.7388
Italy	Lira	1,588½
Ivory Coast	C.F.A. Franc	425.9
Jamaica (S)	Jamaica Dollar	2.503
Japan	Yen	409
Jordan (S)	Jordan Dinar	0.557(sg)
Kampuchea	Riel	2221.18
Kenya (S)	Kenya Shilling	14.46965
Korea (Nth)	Won	1.785(‖)
Korea (Sth)	Won	898.55
Kuwait (S)	Kuwait Dinar	0.508
Laos	Kip Pot Pol	570.3
Lebanon	Lebanese £	5.43858
Lesotho	S. African Rand	1.80755
Liberia	Liberian $	1.8516
Libya	Libyan Dinar	(P) 0.5481
Liecht'nstn	Swiss Franc	3.51
Luxembourg	Lux Franc	58.85
Macao	Pataca	9.181
Madeira	Portug'se Escudo	76.65
Malagasy Rp.	MG Franc	425.9
Malawi (S)	Kwacha	1.5887
Malaysia (S)	Ringgit	4.387
Maldive Is.(S)	Mal Rupee	7.276
Mali Rp.	Mali Franc	847¾
Malta (S)	Maltese £	0.725
Martinique	Local Franc	8.47¾
Mauritania	Ouguiya ¶	84.086
Mauritius (S)	M. Rupee	11.4998
Mexico	Mexican Peso	42.07
Miquelon	C.F.A. Franc	425.9
Monaco	French Franc	8.47¾
Mongolia	Tugrik	(O) 5.956(‖)
Montserrat	E. Caribbean $	5.0057
Morocco	Dirham	7.75(sg)
Mozambique	Moz. Escudo	60.606
Nauru Is.	Aust. Dollar	1.6168
Nepal	Nepalese Rupee	22.218
Netherlands	Guilder	4.035½
Neth. Ant'les	Antillian Guild	3.3142
New Hebrides	Franc	157.01
	Aust. Dollar	1.6168
N. Zealand (S)	N.Z. Dollar	1.8095
Nicaragua	Cordoba	15.0
Niger Rp.	C.F.A. Franc	425.9
Nigeria (S)	Naira	1.18115
Norway	Nrwg. Krone	9.915
Oman Sultanate of (S)	Rial Omani	0.638
Pakistan	Pkst. Rupee	18.25
Panama	Balboa	1.8515
PapuaN.G.(S)	Kina	1.6252

Place	Local Unit	Value of £ Sterling
Paraguay	Guarani	230.93
P'ple's D. Rp of Yemen (S)	S. Yemen Dinar	A 0.6325
Peru	Sol	exc A 240.50
Philippines	Ph. peso	13.640
Pitcairn Is.(S)	£ Sterling	-
	New Zealand $	1.8095
Poland	Zloty	(Cm) 62.29
		(T) 62.20
Portugal	Pgse. Escudo	76.65
Port Timor	Timor Escudo	76.65
Principe Isle.	Pgse. Escudo	76.65
Puerto Rico	U.S. $	1.8515
Qatar (S)	Qatar Ryal	7.16
Reunion Ile de la	French Franc	8.47¾
Rhodesia	Rhodesian $	1.2948
Romania	Leu	(cm) 8.49
		(n/c) T 22.79
Rwanda	Rwanda Franc	175.09
St. Christopher (S)	E. Caribbean $	5.0057
St. Helena	St. Helena £	1.0
St. Lucia (S)	E. Caribbean $	5.0057
St. Pierre	C.F.A. Franc	425.9
St. Vincent(S)	E. Caribbean $	5.0057
Salvador El	Colon	4.63
Samoa (Am)	U.S. $	1.8515
San Marino	Italian Lire	1,588½
Sao Tome	Pgse. Escudo	76.65
Saudi Arabia	Ryal	6.37
Senegal	C.F.A. Franc	425.9
Seychelles	S. Rupee	15.55
Sierr Le'ne(S)	Leone	2.0
Singapore (S)	Singapore $	4.2895
Solomon Is(S)	Australian $	1.6168
Somali Rep.	Som Shilling	(A) 11.656
Sth. Africa (S)	Rand	1.80755
S.W. African Territories (S)	S. A. Rand	1.80755
Spain	Peseta	148.10
Span. Ports in North Africa	Peseta	148.10
Sri Lanka (S)	S.L Rupee	28.95
Sudan Rp.	Sudan £	(A) 0.645
Surinam	S. Guilder	3.3142
Swaziland (S)	Lilangeni	1.80755
Sweden	S. Krona	8.50
Switzerland	Swiss franc	3.51
Syria	Syria £	(A) 7.267
Taiwan	New Taiwan	(P) 70.557
Tanzania (S)	Tan. Shilling	14.05
Thailand	Baht	37.7675
Togo Rp.	C.F.A. Franc	425.9
Tonga Is. (S)	Pa'anga	1.5249
Trinidad (S)	Trin. & Tobago	4.4438
Tunisia	Tunisian Dinar	0.785(sg)
Turkey	Turkish Lira	46.75
Turks & C's	U.S. $	1.8515
Tuvalu	Australian £	1.6168
Uganda (S)	Ug. Shilling	14.255
Utd. States	U.S. Dollar	1.8515
Uruguay	Uruguay Peso	(cm) 10.19
		(fn) 10.19
Utd. A'b Emis.	U.A.E. Durham	7.16
U.S.S.R.	Rouble	1.29
Upper Volta	C.F.A. Franc	425.9
Vatican	Italian Lire	1,588½
Venezuela	Bolivar	7.94
Vietnam(Nth)	Dong	(O) 4.618
		(T) 4.5781(‖)
Vietnam(Sth)	Piastre	3.4253
Virgin Is. U.S.	U.S. Dollar	1.8515
Western Samoa (S)	Samoan Tala	1.1155
Yemen	Ryal	8.39 sg.
Yugoslavia	New Y Dinar	34.0060
Zaire Rp.	Zaire	1.505555
Zambia	Kwacha	1.525

* That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa.
† Rupees per pound.
¶ The Auguiya has replaced the CFA franc. The exchange was made at a rate of CFA Frs.5 to one unit of the new currency.
§ General rates of oil and iron exports 77.763.
‖ Based on cross rates against Russian rouble.
** Rate is the Transfer market (controlled).
†† Rate is now based on 2 Barbados $ to the dollar.
‡‡ Now one official rate.







MINING NEWS

A good March quarter for Blyvoor Gold

BY KENNETH MARSTON, MINING EDITOR

A GOOD showing in the latest batch of March quarterly reports from the South African gold mines is made by the Barlow Rand group's Blyvoor. Thanks to a modestly increased gold price of $173 per ounce coupled with higher production and a uranium profit of R2.7m. (£1.7m.) compared with a uranium loss of R0.57m., the latest quarter's net profit after tax has risen to R6.93m. from R4.49m. in the December quarter.

Otherwise, the trend has been to lower profits in the past quarter. Looking ahead, however, Harmony has tied up a uranium sales agreement during the quarter under which the purchaser will make an interest-free loan to finance the erection of a new uranium plant at the mine's Merriespruit section; previously it was expected that the cost would be around R30m.

Despite the receipt of an average gold price of $173, some $2 higher than in the previous quarter, the veteran Durban Deep and East Rand Proprietary gold mines have increased their working losses during the past quarter and have required State aid to get out of the red. Both have incurred higher pumping costs.

	March qtr. R000	Dec. qtr. R000	Sept. qtr R000
Blyvoor	6,930	4,459	5,209
Durban Deep	†809	†771	†*674
E. Rand Pty.	†721	†1,985	†228
Harmony	7,026	8,623	2,230

† After receipt of State aid. * Loss.

Durban Deep suffered flooding in January and dewatering will take some three to four months with a consequent loss of production during the current quarter of about 20,000 tonnes; 477,000 tonnes were milled in the March quarter. The mine's drawings and interest thereon against the special State loan at December 31 amounted to R2.4m. The comparative figure for ERPM was R3.5m.

The group's quarterly net profits, after tax but before capital expenditure, are compared in the following table.

Bendix pays $87m. for more Asarco shares

BENDIX, THE U.S. technology group with diversified interests in the energy, motor, aerospace and electronic industries, has built up a stake of 16.7 per cent. in Asarco, the U.S. metals group with substantial international representation.

A statement from Asarco said that Bendix had paid $23 (£12.39) a share for 3.8m. shares in Asarco, adding to its existing stake of 1.3m. shares. The total value of the transaction was thus $87.4m. (£47m.).

This amounts to a cash infusion for Asarco, which has been hit by the depression in copper and zinc prices. The shares purchased by Bendix are authorised but unissued.

"The investment significantly strengthens Asarco's financial position and will provide increased flexibility in dealing with investment opportunities during the current period of depressed earnings and heavy capital expenditures," Mr. Charles Barber, the Asarco chairman, commented.

Any thoughts that Asarco might be sucked into the Bendix empire have been forestalled, at least for a time, by the sales agreement for the shares. This specifies that the Bendix holding will not exceed 21 per cent. of Asarco's outstanding shares until January 1, 1985.

However, groups like Asarco have become vulnerable to takeover by groups with a strong cash balance because of the weakness of the metal markets and the scant prospects of immediate recovery. Hitherto, they have been attractive mainly to major oil groups prepared to wait for a return on their investment.

Asarco's plight is clear from their annual results. In 1977 there was a net loss of $29.5m. (£15.8m.) after a deficit of $41.27m. in the fourth quarter.

In recent months Asarco has been forced to curtail operations in the U.S. and has redefined the pattern of its loan payments for a Peruvian venture. The group was granted a London listing last October and yesterday the shares were £13¾.

Deelkraal: 58-for-100 at 130 cents

TERMS ARE now announced of the proposed R47.5m. (£29.3m.) rights issue to be made by the Consolidated Gold Fields group's new Deelkraal gold mine. Some 36.5m. shares of 20 cents (12.3p) are to be offered at 130 cents (80.2p) per share on the basis of 58 for every 100 existing shares held at April 21. But in London yesterday Deelkraal existing shares were only 75½p.

As already reported, Gold Fields and Gold Fields of South Africa intend to take up their entitlements and the issue is to be underwritten by the latter company. Major shareholders in Deelkraal are: GFSA 59.1 per cent., Gold Fields 25.4 per cent. and Fermain Nominees 5.4 per cent.

Deelkraal's previous rights issue in 1976 raised R50m. on the basis of 125 shares at 145 cents for every 100 held. The total cost of the new gold mine is expected to be about R150m. and the latest funds to be raised will take the mine to the self-financing stage.

It is hoped to start trial milling towards the end of 1979. During 1980 ore production will be expanded from 60,000 to 120,000 tonnes milled per month. The mine has been assessed as "a profitable medium grade gold producer." Renounceable allotment letters and a circular to shareholders will be posted on April 28.

ROUND-UP

Voluntary liquidation of the Nigerian subsidiary of United Tin Areas is now taking place and, subject to Nigerian exchange control, some £130,000 should be received by the parent company in due course. The latter now owns 51 per cent. of John G. Rollins and intends to acquire the whole of the capital when funds become available. Group second-half earnings are expected to improve on the first-half (pre-tax profit £4,870) and it is expected to maintain the 1p dividend rate.

*

Striking members of the Australian Workers Union at the Rio Tinto-Zinc group's Hamersley Holdings' Mount Tom Price iron ore mine in Western Australia have voted to return to work to-day. If the electricians and train drivers follow suit, normal production should be resumed.

South Africa's Coronation Syndicate has purchased from associated companies 313,800 shares in Duiker Exploration and 75,200 shares in Witbank Consolidated Coal Mines for a total consideration of R1.49m. (£0.92m.). Dividends (not taxable) from these investments are expected to exceed the taxable interest formerly earned on the funds utilised.

Ranger set for early start

THE Australian Government hopes that development of the Ranger uranium mine in the Northern Territory will start in the next dry season, between May and November, according to Mr. Douglas Anthony, the Deputy Prime Minister.

Speaking yesterday at a party political meeting in Melbourne, he confirmed the hope first expressed a week ago when the Government introduced to Parliament in Canberra a package of legislation to provide the legal frame work within which uranium mining might start.

The Ranger deposit, owned by the Government itself in a joint venture with Peko-Wallsend and EZ Industries, will be the first new uranium development in Australia since the Government decided last year to lift a ban on the mining and fresh export of uranium.

This decision was taken in the wake of the Fox Commission's inquiry into the environmental aspects of uranium mining at Ranger and other Northern Territory deposits. The legislative package in Canberra covering such matters as the establishment of a national park, is the consequence of this decision.

Although trades union attitudes towards mining remain ambivalent, the Government obviously now feels sure enough of its position to place a timescale on development.

Assuming the passage of Government legislation and an eventual agreement between the Ranger partners and local Aboriginals on issues like royalties, a base will have been provided on which other companies like Pancontinental could expect to found other mining operations.

In London yesterday Peko-Wallsend shares were 470p and EZ Industries were 210p.

Equity Income Trust ahead to £0.3m.

Subject to tax of £112,089 compared with £96,268, profit of Equity Income Trust rose from £266,212 to £314,110 in the six months to February 28, 1978.

An interim dividend of 3.96p (2.6p) net per 50p share has been declared, and the directors anticipate paying a 15p gross (13p) total dividend for the year. Profit last year was a peak £302,200.

Net asset value per share is given at 233p compared with 182p.

WINTERBOTTOM TST.

On April 10, Winterbottom Trust borrowed a further $1m. on a floating rate basis, to finance holding of U.S. equities previously held through premium currency. £1m. of premium currency has been sold and the proceeds placed on deposit in the U.K.

Expansion at Morgan Grenfell

WITH NON-BANKING subsidiaries lifting their contribution from £68,811 to £455,191 net profit of Morgan Grenfell Holdings almost doubled from £2.85m. to £5.45m. in 1977.

Mr. J. E. H. Collins, chairman, says 1977 was an exceptional year and that it will be difficult to maintain the record profits in 1978.

Unusually favourable circumstances—the swift and constant decline in interest rates—occurred in the year, but the group also experienced continued underlying growth in many aspects of its business, he says.

As well as equity underwriting, Eurobond and merger activity the group also enlarged its international portfolio management business.

It also added to the number and size of the domestic pension fund portfolios under management, although continually rising costs and intense competition for this type of business strictly limit profitability.

Deposits and other accounts rose in the period from £581.78m. to £706.22m., while loan advances and other accounts climbed from £216.19m. to £244.57m., balances with bankers and money at call rose some £28.5m. to £164.88m., and Treasury Bills, bank certificates of deposit and bills discounted jumped £35.8m. to £90.76m.

The directors have decided to change the proportion of profit annually transferred to inner reserves of banking subsidiaries, and this has lifted the latest year profit. The 1976 result has been adjusted.

The total gross dividend payout for the year is up to 7.924p from 7.204p per cent. per £1 share, adjusted for the one-for-four scrip issue.

Montfort Knitting Mills

The directors of Montfort (Knitting Mills) are optimistic that in 1978 steady progress can be resumed for the future, provided there is no general economic downturn.

In the long term the UK knitted goods industry should benefit from the recent revision of Multi Fibre Arrangement quotas to limit low-cost knitwear imports from developing countries. But while overall demand remains low, these advantages will not become apparent, Mr. M. I. Meakin, chairman, says in his statement with accounts.

However, a higher level of profitability from the socks division now seems assured and only a modest contribution from the knitwear section is needed in 1978 to ensure a worthwhile improvement in group profits.

The three group sock factories are currently well booked, and given some modest advance in consumer spending following the budget, prospects at the knitwear operations could quickly improve.

Taxable profit for 1977 declined from £323,512 to £318,160 and accounts show there was a £0.37m. increase (£0.36m. decrease) in net liquid funds in the year.

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BIDS AND DEALS

FTI £3.5m. purchases

Less than a year since Forward Technology Industries came to the market through a reverse takeover of funeral parlours to musical instruments group MPI, comes news of a major acquisition package.

Yesterday FTI announced that it was to spend £3.5m. cash in buying two companies in the field of high frequency technology. The purchase price will come from bank loans, and a DM loan.

The two are Radyne, a British company which produces equipment for heat treatment via high frequency electrical currents, and KLN Ultraschall, a German ultrasonic group which manufactures equipment for drilling and bonding plastics, and sterilising equipment also employing high frequencies.

Both are subsidiaries of Scienta Holdings and together produced pre-tax profits of £930,000 for 1977. Book value of their net assets in December is said to be approximately £3.1m. Radyne produced £670,000 of the profits and £2.2m. of the assets.

Industrial and Commercial Finance Corporation, which owns about 11 per cent of FTI, also owns 19 per cent. of Radyne, and, together with Scienta which owns 65 per cent. of the capital, has agreed to the offer.

The deal, which will substantially increase FTI's gearing, was announced yesterday at the same time as the interim profit figures which show FTI's turnover for the half-year to December as £10.2m. and pre-tax profits as £858,000. Attributable profits come to £440,000 after minorities of £18,000 and earnings per share were said to be 5.35p.

No comparison is made with the first half of 1976 because this period pre-dated the MPI deal in May last year, which the directors believe completely alters the group's structure.

The last published figures were for the 15 month period to June 1977, during which time turnover was £23m. and profits were £1.3m. By the end of this period the Chappell undertaking business was sold and since then a number of the MPI properties have also been sold.

Yesterday, Mr. Gordon Allen, chairman of FTI, said that a top priority at present was the disposal of the remaining superfluous properties which had a book value of £1m.

REO STAKIS EXPANDS HOTEL CHAIN

Reo Stakis, the Scottish based hotels, off licence and catering group is continuing to extend its hotel chain into England with the announcement yesterday of two new hotel deals worth £1m.

The group has agreed to purchase the 103-room Five Bridges Hotel at Gateshead taking the group's number of English hotels to five. It is also to acquire the 130-room Coylumbridge Hotel in Aviemore. Reo Stakis is acquiring both hotels from the Rank Organisation. Completion of the deal is due on May 1, 1978.

HILLESHOG HAS 29.8% OF MILN

Hilleshog the Swedish agricultural seeds group which is poised to launch a full scale bid for Miln Marsters has now increased its stake in that company to 29.8 per cent.

The group has already agreed—subject to Exchange Controls—to purchase a further 14.8 per cent. shareholding in Miln Marsters which would take its stake well above the 30 per cent. level at which under City Takeover rules it must make a full bid.

Hilleshog has already indicated that it will pay 200p cash for the outstanding holdings—the same price as it bought its recent batch of shares—subject to exchange approval.

McLeod-Sipef fails to get London Sumatra

BY JAMES BARTHOLOMEW

McLeod-Sipef's £24m. bid for London Sumatra has failed. The offer was accepted by holders of 36.4 per cent. of London Sumatra, including the 23.7 per cent. owned by the McLeod-Sipef camp.

McLeod-Sipef announced yesterday that its own shareholders "are now considering their position as shareholders in London Sumatra." This statement added to the confused speculation about what, if anything, will happen to London Sumatra in the wake of the failed bid.

The shares have shown greater strength than most expected, rising 13p on Friday and another 4p yesterday to 137p amid rumours of a new bid from the Harrisons and Crosfield group, or the Indonesian government, or from some as yet unknown third party.

Some observers consider that Harrisons and Crosfield would be doing the decent thing by buying in London Sumatra and thus tidying up its empire.

But others consider that Harrisons and Crosfield is unlikely to throw away the strategic advantage of owning 43 per cent. of London Sumatra. Under the Take-over Code it already has control and in a few years' time it could obtain legal control by buying 2 per cent. a year.

Any third party wanting to bid would have to pay more than 150p per share to entice the H and C stake into acceptance. A bid from the Indonesian Government would be unprecedented.

A spokesman for M and G Unit Trust group, which has been a buyer of London Sumatra shares recently, said yesterday that he had no knowledge of any possible bid from H and C. A total of 105,000 shares have been bought by M and G at an average price of 135p over the last fortnight. The managers justify the investment on fundamental values and the bid possibilities are regarded as being "in for nothing."

The appointment of an independent director to the Board of London Sumatra will be considered now that the McLeod-Sipef bid has lapsed, said Mr. Harper, chairman of London Sumatra, yesterday. A further announcement could be expected in a month or two, he said.

CARPET DEAL OFF

The on-again off-again bid by Mr. Graham Ferguson Lacey's Birmingham and Midland Counties Trust for the troubled U.S. Carpet group, Barwick Industries, is now finally off.

The bid hinged on Mr. Lacey acquiring the 33 per cent. stake in BI owned by Mr. Eugene Barwick, the former chairman. Late last week a curious exchange of words between the two involved Mr. Lacey confirming that Mr. Barwick had signed a letter of intent to sell his share for $1.7m. and Mr. Barwick claiming that negotiations had not yet fully begun.

Now Mr. Lacey has withdrawn "irrevocably" from the offer, saying that Mr. Barwick's "unconstructive approach" had made an already complex deal unpalatable. (Barwick Industries has accumulated losses of $55m. and the offer by Birmingham and Midlands would have involved a financial restructuring and the support of the 13 bankers to the group).

Mr. Lacey also explained that he was concerned that the publicity surrounding the share sale could also be harmful to Mr. William Reed, the U.K. carpet company of which Mr. Lacey is chairman and in which Birmingham has a near 4 0per cent. stake. Reed has recently bought Barwick Industries' British carpet making subsidiary, Barwick Carpets, which has received Government support for expansion.

BHG £1.7m. share sales

Two sizeable shareholdings have been sold off for a total of around £1.7m. by Barrow Hepburn Group, which has recently deferred the payment of any final dividend following the discovery of costly and serious irregularities at a subsidiary being closed down.

Barrow Hepburn has sold, at 90p each, 1,392,456 shares, representing a stake of 25.9 per cent., in Weston-Evans Group, the engineering concern, whose shares last night closed at the lesser price of 91p, up 2p. It has also disposed of 1,141,615 shares—a 5.5 per cent. holding—in Yorkshire and Lancashire Investment Trust for an undisclosed amount to Hamilborne. Control of Hamilborne was recently acquired by Ferguson Securities, a private company in turn controlled by Mr. Cecil McBride and Mr. Graham Ferguson-Lacey.

The bulk of the holding in Yorkshire and Lancashire and the whole of that in Weston-Evans were acquired by Barrow Hepburn last November when it bought a £2m. portfolio of listed investments from Arbuthnot Latham Holdings, the merchant banking group, against an issue of shares. Barrow's recent annual report showed that Arbuthnot Latham had a stake of some 10½ per cent in Barrow Hepburn.

Mr. Richard Odey, chief executive of Barrow Hepburn—whose former loss-making tanning interests it now owns jointly with the National Enterprise Board through British Tanners Products—said the proceeds of the sales of the two shareholdings would be used to further the group's non-leather interests in the U.K. The intention was not to employ the cash to repay debt but to improve profitability in Britain.

He added that his group had received offers it could not refuse for the two holdings disposed of: a profit of some £200,000 had been made on the Weston-Evans interest and they were very satisfied with the profit on the Yorkshire and Lancashire stake.

Mr. Odey said he did not know who had bought the Weston-Evans holding but that he thought it was one single party. Last night the shares of Barrow Hepburn closed 3p up at 34p, while those of Yorkshire and Lancashire were unchanged at 30p.

UCM POSITION

After a great deal of bid speculation which has seen United City Merchants' share price up from the year's low of 41p to 62p yesterday, a company statement did not entirely clarify the situation.

U.C.M. announced: "The company wishes to inform shareholders that it does receive approaches from time to time, and has recently been so approached."

But this encouraging start for the speculators was spoiled at the end by the further statement. "It is the Board's policy on all such approaches to advise shareholders if discussions are actively pursued, and either have reached or seem likely to reach a successful conclusion."

And the middle of the statement indicated that the kind of approaches UCM is talking about include ones relating to matters other than take-over bids anyway, such as investment projects or international joint ventures.

ICFC CASH FOR RADLEY

Industrial and Commercial Finance Corporation is to inject £350,000 into Radley Fashions and Textiles—which will allow Radley to reduce its short-term borrowings.

The money is to be provided by a £300,000 ten-year loan at 14 per cent. with a further £50,000 provided by way of a hire purchase facility to enable Radley to acquire a mini-computer system. ICFC—shareholders approval granted—will have the option during the life of the loan to take a 10.07 per cent. stake in Radley for £75,000.

HAIRLOK

Somercel's offer for Hairlok has become unconditional following approval at the EGM of Hairlok to reorganise the capital. The offer will remain open.

Henry Sykes Limited

Financial Results

for the year ended 25th December 1977

	1977	1976
Sales	£19,941,000	£15,210,000
Profit before taxation	2,081,000	1,775,000
Profit after taxation before deducting extraordinary items of £137,000 (1976, £65,000)	998,000	890,000
Earnings per Ordinary share before extraordinary items	11.6p	10.4p
Dividend paid and proposed per Ordinary share	3.2p	1.6p

Chairman Anthony Hepper, in his Annual Report, drew attention to the following points:-

- —The pre-tax profit of £2,081,000 is a 17% increase on the previous year.
- —Pre-tax profits have increased tenfold since 1971.
- —Overseas business now accounts for 47% of Group Sales compared to 32% in 1976.
- —A new range of pumps incorporating significant technical developments will be launched in the home market this autumn.
- —With its wide range of activities both at home and overseas, the Group should continue to maintain a satisfactory growth rate.

Copies of the 1977 Accounts are available on request from the Secretary, Henry Sykes Limited, Sykes House, 445 Woolwich Road, Charlton, London SE7 7AP.

Bank of Scotland must expand overseas

LORD CLYDESMUIR, Governor of the Bank of Scotland, warns in his statement with the accounts that competitive forces continue to mount in Scotland.

Offices have been opened in main centres by the English clearing banks and major international banks, and there has been in the same period a considerable increase in the representation of U.K. merchant banks.

"The pressure upon these incomers to acquire business is such that in many instances unrealistic terms are quoted: this narrows the normal profit margin which the indigenous banks can obtain from domestic business and is one of the reasons why we must expand our international business even more vigorously," he says.

Currency loans have now grown to 25 per cent. of the bank's total portfolio. Accounts show advances to customers and other accounts at £1.06bn. (£882.03m.) at the February 28, 1978 balance date.

Lord Clydesmuir says that in 1977-78 average currency loans went up by 37 per cent. while the equivalent sterling amount rose by less than eight per cent. There was some acceleration of growth in the sterling area towards the end of the year.

On the deposit side, sterling kept pace with the growth in lending, while the foreign *currency customer deposits more* than doubled, enabling a reduction in the bank's dependence on the currency market.

Accounts also show growth in instalment credit etc. advances up from £82.73m. to £105.53m., assets leased to customers £19m. higher at £73.7m., and money at short call and at notice up from £196.97m. to £216.1m.

Current accounts and deposits climbed in the year from £1.35bn. to £1.62bn., while notes in circulation rose £9.4m. to £128.48m., and *other accounts were up from £47.6m. to £81.4m.*

A current cost statement shows the pre-tax profit of £27.6m. (£26.8m.) reduced to £20.9m. (£17.4m.) by adjustments to free capital of £5.3m. (£8.3m.), depreciation £0.9m. (£0.7m.) and for associated companies of £0.5m. (£0.4m.).

For the year there was a £5.81m. (£14.27m.) rise in working capital.

Meeting, Edinburgh, May 9, at 12.15 p.m.

Barclays Bank owns 35 per cent. of capital and the Kuwait Investment Office 5.81 per cent.

● comment

● Bank of Scotland's report and accounts highlight the dilemma of a bank operating in a stagnant economy. The bank has a third of the Scottish banking market and in common with the other clearing banks is finding it difficult to stimulate its sterling lending. Consequently, the bank has been aggressively developing its international business in order to keep its profits moving ahead. From virtually nil a few years ago, foreign currency lending now accounts for around a quarter of the bank's loan portfolio. Last year its foreign currency lending rose by 37 per cent. while sterling lending rose by less than 8 per cent. Against this background the group's free capital ratio slipped from 4.1 per cent. to 3.5 per cent. during the year. Given the absence of loan capital in its balance sheet, and its ambitions in the international sphere, which range as far as Hong Kong, it seems likely that the group will bolster its capital position at some stage by raising a tranche of foreign currency debt.

British Sidac loss in second half

A fall from a pre-tax surplus of £402,000 to a pre-tax loss of £302,000, in the second half at British Sidac, a subsidiary of UCB (Investments), cut fulltime profit for 1977 by £841,000 to *£1,012,000. Sales advanced to £39.34m., against £34.8m.*

In October the directors said that demand in the first half had been enhanced by customers' stock-building which, when satisfied, had been followed by a deterioration in orders for cellulose film and a resultant reduction in production.

Again there *is no dividend.* Tax took £520,000 (£852,000) leaving a net balance of £492,000 (£1,001,000). After extraordinary losses of £1,123,000 (£203,000) and minorities there was an attributable loss of £878,000 (profit £349,000).

Record £1m. for Reed Executive

AFTER RISING from £55,000 to £351,000 at halfway pre-tax profit of Reed Executive recovered from £436,000 to a peak £1.06m. in 1977 on turnover ahead from £11.29m. to £15.23m.

The group's self-service drug store operations contributed £264,000 pre-tax loss for the year and Mr. A. E. Reed chairman, says that current trading of this operation is showing a significant improvement, and buying terms are becoming more competitive as branches grow and turnover increases.

"We are making real headway in the development of a new retail company but the final success of the business must be considered a long term project," he says.

First quarter trading of the *employment agency group* has been "very satisfactory" and Mr. Reed believes there will be a significant improvement in first half results.

After tax of £559,000 (£253,000) and extraordinary losses of £64,000 (£13,000)—consisting of the write off of goodwill, less property and investment sales profits—attributable profit was *£437,000 (£170,000).*

Earnings per 5p share are given at 7.95p (2.9p) and a final dividend of 1.64p takes the total pay*out to 2.75p compared with 1.67p,* adjusted for a four-for-five scrip issue.

A current cost statement with accounts shows a reduction in profit to £850,000 after additional depreciation of £140,000, a cost of sales adjustment of £52,000 and a £9,000 adustment for net monetary items.

Rugby Cement ahead 10.7%

AFTER AN additional pension provision of £849,000 this time, Rugby Portland Cement Company reports pre-tax profit for 1977 ahead 10.7 per cent. from £12.49m. *to a record £13.82m.* on sales up £10.28m. at £87.84m.

The directors also announce a *capital* reorganisation under which existing Ordinary and non-*voting* participating shares would be combined into a single class of equity capital carrying full voting rights.

They say they feel that the present capital structure is not in the best interest of the future development of the company. The proposed structure, on the other-hand, would be more advantageous to all present members, and would remove any possible conflict of interest between the two classes of holders and facilitate further issues of shares either for cash or as consideration *for acquisitions.*

At halfway, when profit was ahead at £5.86m. (£5.58m.), the directors said that in the second half better results were expected in the U.K. and overseas performance should show improvement.

Earnings per Ordinary 25p share are shown higher at 8.5p (7.7p) on a nil distribution basis, and *9.1p (8.2p) on a net basis.* The respective figures, for 5p participating shares are 5.1p (4.7p) and 3.9p (3.6p).

The net total dividend on the Ordinary is raised to a maximum permitted 3.48p (3.141p) with a final of 1.809p absorbing £2.45m. (£2.21m.). With the reorganisation in mind the directors have also declared an interim for 1978 of 1.838p (*1.671p*) absorbing £1.29m. (£1.18m.).

For the participating shareholders the total dividend for 1977 is raised, by a final of 1.894p, *to 2.983p (2.679p) costing £969,012* (£867,996). The interim for the current year in this class is 1.178p (1.069p) costing £381,024 (£346,356).

If the reorganisation is approved by the meeting on May 18, a special 2p dividend will be paid on the Participating and Nelson "A" shares on October 29, 1978 in recognition of the initial reduction *in income otherwise suffered by the participating holders after the reorganisation.*

The Board intends to pay a final dividend for 1978 of 2.082p, making a total of 3.9p.

Tax for the year was £5.82m. (£5.33m.) for a net profit of £7.99m. (£7.16m.). Minorities took £838,000 (£202,000).

The company has entered into a 50:50 partnership with Société des Ciments Français, a leading French cement manufacturer, in the ownership of Compagnie Financière pour la Recherche et le Développement, a company registered in Luxemourg, to further investment and consultancy work overseas, the directors say.

During the year the group did well in the U.K. in a difficult market situation. The construction industry is still depressed but there are a few signs of recovery.

The company has proceeded with major investment at its *Rochester and Southam Works,* not only to increase capacity for when demand increases, but also to achieve energy savings.

In Australia the situation is more encouraging and it is expected that Cockburn will make further progress, the directors say.

The new accounting policy for pensions gave rise to an accrued *service liability at January 1, 1977* of £3.26m. (£6.8m. before tax and minority interests), which has been deducted from the balance brought forward in the profit and loss account. Retained profit for the year amounted to £4.23m.

Under the capital restructuring plan the 32.4m. non-voting participating shares of the company and the "A" shares of its subsidiary *company,* Charles Nelson and Co. not owned by the company on May 19, 1978, which currently total approximately 1.9m.—will effectively be converted into ordinary shares on the basis of seven new ordinary shares for every 10 participating shares or Nelson "A" shares.

The Nelson shares have the same dividend entitlement as the participating shares.

The new shares will rank pari passu in all respects with the existing ordinary shares, save that they will not rank for the 1978 interim dividend.

See Lex

Baco in strong position to expand further

HAVING SUBSTANTIALLY reduced its borrowings the British Aluminium Company is now in a position to undertake a large programme of modernisation, and to consider new investment opportunities as they arise.

Stating this in his annual report Mr. B. S. Kellett, chairman, points out that an important feature of 1977 was the strong cash flow which enabled borrowings to be reduced by £13m. despite significant increases in capital expenditure and in dividend.

Compared with a high point of nearly 90 per cent. only a few years ago borrowings have now been cut to a point where they represent a little more than a quarter of shareholders funds.

The progressive reduction has been aided by the large tax allowances for past investment in fixed assets and stocks which are offset against current taxable profits. At the end of 1977 the group still had unused tax allowances of £21m., which can be used to offset tax liability on future profits.

The level of spending on capital projects in 1977 *increased by* more than 40 per cent. over the previous year and further large increases are planned for 1978. Expenditure sanctioned and outstanding at December 31, amounted to £8.23m. (£5.75m.) of which £2.46m. (£2.56m.) was committed.

At the year end the group had short term deposits and cash of £6.14m. (£5.06m.) against which there were loans overdrafts and acceptance credits, etc., down from £23.05m. to £12.61m.

Against a background of generally low demand, except in the U.S. where consumption of aluminium showed a continuing significant increase, group pre-tax profits expanded from £13.1m. to £24.68m. in 1977. However, the chairman points out that the inflation adjusted profit of £10m. *shows that there is still some way* to go before the group is earning profits commensurate with the replacement value of capital employed.

The chairman explains that the ability to earn such profits in deteriorating market conditions stemmed directly from the basic improvements in the groups position. Although volume fell in the second half year the loss occurred mainly in the lower margin products.

Sales of the more specialised products, on which the group has *concentrated its selling effort* for some years, were well maintained. Substantial improvements in efficiency achieved in recent years also contributed to the group's ability to earn reasonable profits at lower levels of capacity.

The group is a subsidiary of Tube Investments.

Rand Mines Limited

A Member of the Barlow Rand Group

Gold Mining and Colliery Company Reports for the Quarter ended 31st March 1978

(All Companies incorporated in the Republic of South Africa)

Office of the Secretaries of the undermentioned companies in the United Kingdom: 40, Holborn Viaduct, London EC1P 1AJ.

HARMONY GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: R13 442 325 IN 26 884 650 SHARES OF 50 CENTS EACH
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 31ST MARCH, 1978.

OPERATING RESULTS—ALL PRODUCTS	Quarter ended 31.3.1978	Quarter ended 31.12.1977
Ore milled (t):	1 557 000	1 585 000
Gold produced (kg):	7 292	7 578
Yield (g/t):	4.68	4.78
Uranium		
Pulp treated (t):	1 244 000	1 145 000
Oxide produced (kg):	133 028	129 679
Yield (kg/t):	0.107	0.113
Pyrite		
Concentrate recovered (t):	22 298	19 820
Sulphuric acid produced (t):	33 379	30 451
Total Revenue (R/t milled):	28.02	28.80
Total Costs (R/t milled):	23.66	23 28
Total Profit (R/t milled):	4.36	5.52
FINANCIAL RESULTS—ALL PRODUCTS —TOTALS IN R000's		
Revenue—Gold, Silver and Osmiridium	R35 129	R36 153
—Uranium, Pyrite and Sulphuric Acid	8 504	R9 500
Total revenue	43 633	R45 653
Costs	R36 837	R36 909
Working profit	R6 796	R8 744
Sundry revenue (net)	R432	R385
Profit before taxation and State's share of profit	R7 228	R9 129
Taxation and State's share of profit	R202	R506
Profit after taxation and State's share of profit	R7 026	R8 623
Capital expenditure	R2 534	R4 330
Dividends	R8 065	R—
Loan levy	R30	R67
Loan Levy refund (1971)	R43	R—
SHAFT SINKING		
Merriespruit No. 2A Upcast Ventilation Shaft		
Advanced—metres	8	—
Depth to date—metres	8	—

DEVELOPMENT

Quarter ended 31.3.1978: 7 489 metres. Quarter ended 31.12.1977: 7 337 metres

Reefs	Advanced on Reef Horizon Metres	Sampled Metres	Gold Value g/t	Uranium Value kg/t	Channel Width cm	Gold cm.g/t	Uranium cm.kg/t
Basal	382	296	9.8	0.279	104	1 013	29.05
Leader	877	864	6.1	0.210	100	607	20.95
Totals and Averages:							
Quarter ended 31.3.1978	1 259	1 160	7.1	0.228	101	712	23.02
Quarter ended 31.12.1977	2 013	1 764	7.8	0.252	97	758	24.43

These values represent actual results of sampling, no allowance having been made for any adjustments which may be necessary when the ore reserve estimates are made at the end of the financial year.

DIVIDEND

Dividend No. 43 of 30 cents per share was declared on 16th March, 1978 payable on or about 8th May, 1978 to shareholders registered on 31st March, 1978.

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R2 906 000. The estimated total capital expenditure for the remainder of the current financial year is R7.0 million.

GENERAL

A uranium sales agreement was concluded during the quarter in terms of which the purchaser will make an interest free loan to the Company to finance the erection of a new uranium plant at Merriespruit. Site preparation has commenced and the erection of the new plant will begin in the near future.

For and on behalf of the board.
D. T. WATT (Chairman), N. A. HONNET } Directors

10th April, 1978.

BLYVOORUITZICHT GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: R6 000 000 IN 24 000 000 SHARES OF 25 CENTS EACH
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 31ST MARCH, 1978.

OPERATING RESULTS	Quarter ended 31.3.1978	Quarter ended 31.12.1977
Ore milled (t):	423 000	405 000
Gold produced (kg):	4 844.0	4 351.3
Yield (g/t):	11.45	10.74
Revenue (R/t milled):	55.31	51.48
Cost (R/t milled):	34.40	33.34
Profit (R/t milled):	20.91	18.14
Revenue (R000's)	23 396	20 850
Cost (R000's)	14 552	13 503
Profit (R000's)	8 844	7 347
Uranium Oxide		
Pulp treated (t):	457 058	411 856
Oxide produced (kg):	77 231	66 329
Yield (kg/t):	0.169	0.161
FINANCIAL RESULTS (R000's)		
Working profit: Gold	R8 844	R7 347
Working profit (loss): Uranium oxide	R2 705	R(569)
Sundry revenue (net)	R364	R424
Profit before taxation and State's share of profit	R11 913	R7 202
Taxation and State's share of profit	R4 983	R2 713
Profit after taxation and State's share of profit	R6 930	R4 489
Capital expenditure	R2 585	R1 826
Dividend declared	R—	R7 200
Loan levies	R606	R330
Loan Levy refund (1971)	*R276*	R—

DEVELOPMENT

Quarter ended 31.3.1978: 4 668 metres. Quarter ended 31.12.1977: 4 694 metres

Reefs	Advanced on Reef Horizon Metres	Sampled Metres	Gold Value g/t	Uranium Value kg/t	Channel Width cm	Gold cm.g/t	Uranium cm.kg/t
Main Reef	53	2	14.4	0.525	12	173	6.30
Carbon Leader	68	62	222.2	0.841	17	3 777	14.30
Quarter ended 31.12.77							
Main Reef	57	30	5.9	0.137	13	77	1.78
Carbon Leader	62	50	137.2	1.379	17	2 332	23.44

These values represent actual results of sampling, no allowance having been made for any adjustments which may be necessary when the ore reserve estimates are made at the end of the financial year.

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R1 066 000. The estimated total capital expenditure for the remainder of the current financial year is R2.5 million.

GENERAL

The cost increases were due mainly to higher electricity charges which became effective in January, 1978 and to increased black labour costs.

For and on behalf of the board.
D. T. WATT (Chairman), D. D. WATERMAN } Directors

10th April, 1978

EAST RAND PROPRIETARY MINES, LIMITED

ISSUED CAPITAL: R3 960 000 IN SHARES OF R1.00 EACH
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 31ST MARCH, 1978.

OPERATING RESULTS	Quarter ended 31.3.1978	Quarter ended 31.12.1977
Gold		
Ore milled (t):	445 000	448 000
Gold produced (kg):	2 808.6	2 834.9
Yield (g/t):	6.31	6.33
Revenue (R/t milled):	30.47	30.27
Cost (R/t milled):	36.59	33.60
Profit (loss) (R/t milled):	(6.12)	(3.33)
Revenue (R000's):	13 559	13 563
Cost (R000's):	16 283	15 054
Profit (loss) (R000's):	(2 724)	(1 491)
FINANCIAL RESULTS (R000's)		
Working profit (loss): Gold	R(2 724)	R(1 491)
Sundry revenue (net):	R55	R65
State Assistance claimed	R3 390	R3 391
Profit before taxation and State's share of profit	R721	R1 965
Taxation and State's share of profit	R—	R—
Profit after taxation and State's share of profit	R721	R1 965
Capital expenditure	R613	R950

DEVELOPMENT

Quarter ended 31.3.1978: 2 405 metres. Quarter ended 31.12.1977: 2 583 metres

Reefs	Advanced on Reef Horizon Metres	Sampled Metres	Gold Value g/t	Channel Width cm	Gold cm.g/t
South	114	102	6.7	104	701
Composite	25	21	16.8	50	845
Main	168	168	15.0	42	637
Main Reef Leader	59	57	13.1	32	422
Totals and Averages:					
Quarter ended 31.3.1978	366	348	10.7	59	633
Quarter ended 31.12.1977	350	297	8.1	96	776

These values represent actual results of sampling, no allowance having been made for any adjustments which may be necessary when the ore reserve estimates are made at the end of the financial year.

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R675 000. The estimated total capital expenditure for the remainder of the current financial year is 2.5 *million.*

GENERAL

(i) The cumulative drawings plus interest to date against the special State Loan facility in respect of operations up to the end of December 1977, amounted to R3.5 million.

(ii) There was a heavy inflow of water into the mine over the past 3 months due to the exceptionally high rainfall. *This led to losses in production and high* costs in pumping and maintenance of pumping equipment.

For and on behalf of the board.
D. T. WATT (Chairman), D. D. WATERMAN } Directors

10th April, 1978.

DURBAN ROODEPOORT DEEP LIMITED

ISSUED CAPITAL: R2 325 000 IN SHARES OF R1.00 EACH
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 31ST MARCH, 1978.

OPERATING RESULTS	Quarter ended 31.3.1978	Quarter ended 31.12.1977
Gold		
Ore milled (t):	477 000	512 000
Gold produced (kg):	1 869.2	1 849.3
Yield (g/t):	3.92	3.61
Revenue (R/t milled):	18.94	17.30
Cost (R/t milled):	22.71	20.40
Profit/(Loss) (R/t milled):	(3.77)	(3.10)
Revenue (R000's):	9 036	8 855
Cost (R000's):	10 834	10 444
Profit (loss) (R000's):	(1 798)	(1 589)
Pyrite		
Pyrite concentrate sold (t):	6 137	6 992
FINANCIAL RESULTS (R000's)		
Working profit/(loss)—Gold	R(1 798)	R(1 589)
—Pyrite	R76	R84
Sundry revenue (net):	R53	R41
State Assistance claimed	R2 278	R2 235
Profit before taxation and State's share of profit	R609	R771
Taxation and State's share of profit	R—	R—
Profit after taxation and State's share of profit	R609	R771
Capital expenditure	R341	R175

DEVELOPMENT

Quarter ended 31.3.1978: 4 586 metres. Quarter ended 31.12.1977: 5 537 metres

Reefs	Advanced on Reef Horizon Metres	Sampled Metres	Gold Value g/t	Channel Width cm	Gold cm.g/t
Kimberley	1 063	1 227	5.2	106	547
South	272	207	33.1	19	628
Main	178	156	6.8	107	729
Totals and Averages:					
Quarter ended 31.3.1978	1 513	1 590	6.1	94	575
Quarter ended 31.12.1977	1 715	1 365	5.3	98	521

These values represent actual results of sampling, no allowance having been made for any adjustments which may be necessary when the ore reserve estimates are made at the end of the financial year.

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R15 000. The estimated total capital expenditure for the remainder of the current financial year is R752 000.

GENERAL

(i) The cumulative drawings plus interest to date against the special State Loan facility, in respect of operations up to the end of December, 1977 amounted to R2.4 million.

(ii) *Following the flooding of certain portions of the mine in January, 1978,* emergency pumping installations have been commissioned and additional pumps have been installed in the main pumping station at No 5 shaft. De-watering operations are proceeding satisfactorily and it is estimated that the flooded sections of the mine will be de-watered within 3 to 4 months.

(iii) It is estimated that the loss in production during this quarter, due to the flooding, is of the order of 20 000 tons. No further production losses are anticipated on this account.

For and on behalf of the board.
D. T. WATT (Chairman), N. A. HONNET } Directors

10th April, 1978.

WELGEDACHT EXPLORATION COMPANY, LIMITED

ISSUED CAPITAL: R4 090 813 IN SHARES OF 45 CENTS EACH
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 31ST MARCH, 1978, ON THE OPERATIONS OF THE COMPANY AND ITS WHOLLY-OWNED SUBSIDIARY.

OPERATING RESULTS	Quarter ended 31.3.1978	Quarter ended 31.12.1977	6 Months ended 31.3.1978
Tons sold—metric	505 108	491 047	996 155
Working profit—cents per ton	443.6	224.1	335.4
FINANCIAL RESULTS (R000's)			
Working profit	R2 241	R1 101	R3 342
Net railway revenue	6	221	227
Net sundry revenue	34	27	61
PROFIT BEFORE TAXATION	R2 281	R1 349	R3 630
Taxation	689	536	1 225
PROFIT AFTER TAXATION	R1 592	R813	R2 405
Capital expenditure	*R552*	*R306*	*R858*
Drilling and Exploration (included in sundry revenue)	6	42	48

CAPITAL EXPENDITURE

There are commitments for capital expenditure amounting to R2 844 000. The estimated total capital expenditure for the remainder of the current financial year is R2 970 000.

GENERAL

The increase in working profit arises mainly from:—

1. The increase in the inland coal price granted with effect from 1st February, 1978.
2. The sale of coal produced, but not disposed of, in the previous quarter.
3. Adjustments to tonnages and prices in respect of previous export shipments. Similar adjustments will not necessarily continue to be made in the future.
4. The higher tonnage sold.

For and on behalf of the board.
N. ZOLEZZI (Managing Director), R. D. BARLOW } Directors

10th April, 1978.

WITBANK COLLIERY, LIMITED

ISSUED CAPITAL: R12 576 560 IN ORDINARY SHARES OF R2 EACH
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 31ST MARCH, 1978 ON THE OPERATIONS OF THE COMPANY AND ITS WHOLLY-OWNED SUBSIDIARIES

OPERATING RESULTS	Quarter ended 31.3.1978	Quarter ended 31.12.1977	6 Months ended 31.3.1978
Tons sold—metric	1 745 960	1 713 517	3 459 477
Working profit cents per ton	660.0	523.5	592.5
FINANCIAL RESULTS (R000's)			
Working profit	R11 525	R8 971	R20 496
Net sundry revenue/(expenditure)	45	(28)	17
PROFIT BEFORE TAXATION	R11 570	R8 943	R20 513
Taxation	3 623	—	3 623
PROFIT AFTER TAXATION	R7 947	R8 943	R16 890
Capital expenditure	*R4 768*	R5 022	R9 790
Exploration expenditure—included in net sundry revenue/(expenditure)	R87	R98	R185
Dividend declared	R2 830	R—	R2 830

DIVIDENDS

Dividend No. 143 of 45 cents per share was declared on 15th February, 1978 payable on or about 17th March, 1978 to shareholders registered on *3rd March, 1978.*

CAPITAL EXPENDITURE

There are commitments for capital expenditure, net of Escom funding in respect of Duvha, as follows:

	R000's
Contracted	25 660
Authorised but not contracted	23 154
Other proposed expenditure on Duvha Colliery	16 029
	64 843

The estimated net capital expenditure for the remainder of the current financial year is R12 473 000.

GENERAL

The increase in the working profit for the quarter is due mainly to:—
(a) The increased inland coal price which came into effect on 1st February, 1978; and
(b) a premium payment from an export pool adjustment which is unlikely to recur.

At 31st March, 1978 holders of 517 417 of the company's 13½% Unsecured Convertible Notes exercised their rights of conversion and a like number of shares will be allotted to them shortly. The issued share capital will be increased accordingly.

For and on behalf of the board.
R. B. MacGILLIVRAY (Managing Director), R. D. BARLOW } Directors

10th April, 1978.

GENERAL NOTES

1. Gold development values quoted herein represent actual results of sampling, no allowance having been made for any adjustments which may be necessary when estimating ore reserves at the end of the respective financial years.
2. All financial figures are subject to audit.

Copies of these quarterly reports are obtainable from the United Kingdom Registrars and Transfer Agents Charter Consolidated Limited, P.O. Box No. 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

GEC lowers South African profile

BY RICHARD ROLFE IN JOHANNESBURG

As pressure from the Government, shareholders and local anti-apartheid groups builds up, foreign companies doing business in South Africa are trying to adopt a less obvious profile. GEC's deal with Barlow Rand, in which the major South African concern is buying half of GEC South Africa, is the latest example of the flexibility with which foreign corporations are responding to the altered climate.

GEC's DECISION to sell half its South African subsidiary to Barlow Rand, the biggest local industrial corporation, and thus relinquish Board control, is an illustration of the varying ways in which foreign-controlled groups in the Republic are responding to domestic pressures. These come from two different sources. The South African Government, on the one hand, is becoming increasingly keen that important sectors of the economy are subject to some kind of local participation, if not necessarily control, and Government departments accordingly do business with local rather than foreign firms wherever possible.

On the other, pressure from shareholders and anti-apartheid organisations at home has led various groups with important South African subsidiaries to try to lower their profile, even though the tangle of commercial and political motives is usually difficult to unravel. For GEC, operating in a number of potentially sensitive areas, future criticism can no doubt be largely deflected by ceding board control to Barlow Rand and by the sale of 50 per cent. of GEC South Africa for R27.5m. ($31.5m.).

At the same time, there is no reason to doubt the commercial attractions of the deal. GEC SA is already firmly entrenched in a number of growth areas, including power generation, winding systems and engines for the key mining sector and traction units for the state-run South African Railways. So it is heavily involved with the state sector, especially ESCOM, the electricity commission, the Post Office and ISCOR, the state steel group, in addition to the SAR.

Apart from gaining a competitive edge through its partial "South Africanisation," reduction of foreign control from 100 per cent. to 50 per cent. also eases, for example, local borrowings should they be necessary, though GEC SA says firmly that all its anticipated needs are internally funded at present.

In addition, the Barlow Rand deal does not presage any particular expansion of GEC SA's local manufacturing base. GEC SA's managing director, Frank Lester, says: "There is a constant process of manufacturing locally, as the market requires." Of GEC SA's local business, with annual turnover of about R200m. ($229.6m.), about 40 per cent. is power distribution—transformers, switchgear and cables, the latter through the partly owned, listed group African Cables—while electric motors account for another 21 per cent. What Lester calls "composite project activity"—for example package deals for the gold mines—accounts for 22 per cent. of local turnover, and is a mix of imports from GEC, products locally manufactured by GEC SA and components bought in from other local manufacturers.

The Barlow Rand-GEC SA deal has some similarities with Standard Telephone and Cables' sale of its local manufacturing subsidiaries to the much smaller Allied Technologies last year. Though this was a reverse takeover, which left STC with a 36 per cent. in the combined group, its effect was broadly similar in that STC lowered its profile and acquired a local partner, while the South African group obtained access to STC's advanced technology—an important consideration for Barlow Rand as well.

Interestingly, though, GEC retains its direct stake in Telephone Manufacturers of South Africa, a joint venture with Plessey which has been excluded from the Barlow Rand deal and is a major competitor of the STC–Allied Technologies combine.

For Barlow Rand, the GEC SA acquisition has generally been hailed as an important coup. While GEC SA's earnings, at R9m. ($10.3m.) on R200m. turnover, are relatively lower than Barlow Rand's they are regarded as high quality, and growth prospects for the GEC SA product line are clearly above average.

The deal is Barlow Rand's biggest since its 1971 takeover of Rand Mines, which has been instrumental in its growth over the past seven years. Its management should mesh in well with GEC's, since apart from the references to improving conditions for employees of all races, both groups share the philosophy of decentralising management responsibility while retaining tight financial and budgetary controls from a small head office.

Japan curb on $ loans relaxed

By Yoko Shibata

TOKYO, April 17.

THE MINISTRY of Finance has relaxed the control on so-called impact loans (foreign currency borrowings by Japanese companies), to enable Japanese export-related corporations to hedge exchange risks.

A number of such companies have suffered exchange losses as a result of the upsurge in the yen exchange rate on their dollar-based credits. This began last year and is causing concern to the Ministry of Finance. Up to now impact loan borrowing has been permitted only to increase corporations' capital investment funds. Under the new guidelines, the purpose of such borrowing is unspecified.

Japan's leading fishing equipment company, Daiwa Seiko obtained permission from the authorities to-day to borrow $1.5bn., as the first purpose-unspecified impact loan.

Impact loans usually carry an interest rate premium of 1 per cent. over the interbank borrowing rate in the Eurodollar market. The volume of outstanding loans reached a record $1.9bn. in 1974, and fell to $1.63bn. in 1977.

According to financial sources, Ishikawajima Harima (IHI), Sumitomo Heavy Industries and Honda are planning to increase impact loans this year.

Acquisition talks hold up Primrose share relisting

BY OUR OWN CORRESPONDENT JOHANNESBURG, April 17.

FOLLOWING THE weekend announcement that Tongaat, the diversified sugar group, had acquired control of the brick manufacturer Primrose, shares in Primrose remained suspended to-day in Johannesburg, and the group's managing director, Mr. David Gevisser, who has been confirmed in his post by Tongaat, said that he expected it would take up to a week before a relisting was obtained.

The shares were suspended last Friday ahead of the news that Tongatt had acquired control, because Primrose indicated through its advisers, Volkskas Merchant Bank, that it was negotiating to acquire "a major asset." Though there is no official confirmation, this is generally believed to be Aloe Minerals, a small anthracite producer controlled by the Rembrandt Group, better known for its world-wide tobacco and drink interests.

With the tacit approval of Tongaat, talks are apparently continuing over the acquisition of Aloe Minerals, though it is not clear whether any deal would be for cash or Primrose shares. The thinking on the part of Primrose is that anthracite or other coal interests would provide a secure source of income, immune from the cyclical swings of the brickmaking business. In addition, Primrose is involved in the extractive industry through its clay production, is a major consumer of coal for its kilns and has some background in coal mining through its previous ownership of the Spitzkop colliery sold two years ago.

Tongaat announced late on Friday that it had acquired 33 per cent. of Primrose, and had obtained "support" from other shareholders which took its voting control of the group over 50 per cent. There is some feeling in Johannesburg that Tongaat should now have to extend an offer to all Primrose shareholders on the basis of its highest price paid for Primrose share, probably around 170 cents. However, under the ill-defined local rules on these points, which are almost entirely at the discretion of the Johannesburg Stock Exchange, no such offer is likely.

No clear precedent exists for a market raid along the lines carried out by Tongaat, but Guardian-Liberty Life's acquisition of a controlling interest in First Union General Investment Trust (FUGIT) last year may have some bearing. In this case it was held that the two key aspects of the deal were that no previous control situation existed, and that control had been acquired in the market. Hence, it was claimed that all shareholders theoretically had the opportunity to sell, and had therefore, again in theory, been treated equally.

Dutch bid for Ozapaper

BY JAMES FORTH

SYDNEY, April 17.

THE DUTCH group Oce-Van der Grinten is to reorganise its Australian operations. Reprographics and building materials group, Oce-Crosby is making a takeover offer for the rival office equipment group, Ozapaper. The Dutch company has held a 58.3 per cent. interest in Oce-Crosby for several years. Early last year it acquired a 55.5 per cent. interest in Ozapaper through the acquisition of its U.K. parent, Ozalid. At the time it was announced that the Australian companies' relationship would continue as usual, without any special arrangements being made. Early this month however the directors of both companies said that talks were underway which could lead to a merger.

The merger will be accomplished by the issue of one Oce-Crosby share for each Ozapaper share. Directors of both companies recommend the offer and are supported by an independent adviser, merchant bank Capel Court Corporation Investors, however, misjudged the bid as Ozapaper shares were priced at 71 cents ahead of the terms compared with 62 cents for Oce-Crosby. Ozapaper shareholders will also be entitled to receive an interim dividend of 1.25 cents a share for the half year to May. Because the proposed merger is based on an exchange of shares, the overall effect will be that the 42.3 per cent. Australian ownership of the combined companies will remain unchanged.

Boral offers share swap

BY LAWRENCE STEPHENS

SYDNEY, April 17.

BORAL, which has about 48 per cent. of the capital of fellow building materials group, Australian Gypsum Industries, after an intensive buying exercise, and which last week made a cash bid of $A2.22 a share for the company, has announced a share swap alternative to the cash offer.

Boral is offering nine of its own shares for every ten shares in Australian Gypsum, which on to-day's price of $A2.30 for Boral puts a value of $A2.07 on Australian Gypsum shares.

This compares with Australian Gypsum's market price to-day of $A2.20, up from $A2.15 yesterday.

Offer documents are expected to be posted in mid-May, and the bid is conditional upon acceptance by 75 per cent. of remaining shareholders for 90 per cent. of the outstanding shares.

European paper trade brighter

FINANCIAL TIMES REPORTER

KON. NEDERLANDSE Papierfabrieken (KNP) expects the European paper and cardboard industry to begin to recover. Prices of the industry's most important raw materials have fallen and "there are signs of increasing demand for printing paper."

KNP is in a good position to profit from this improvement in view of its strong position on international markets, the company said in its annual report. Two-thirds of its paper products and one third of its cardboard products are sold outside Holland. KNP made a net profit of Fls.1.4m. ($650,000) in 1977 after Fls.1m. the year before on sales that rose to Fls.786m. from Fls.723m.

Production of printing papers fell marginally to 345,000 tonnes from 347,000 while paper and board for packing rose sharply to 124,000 tonnes from 69,000, following the acquisition of Kappa, a board and paper producer, last year. Kappa's results have been consolidated from August onwards.

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NORTH AMERICAN NEWS

GM and Ford plan note issues

By Our Own Correspondent

NEW YORK, April 17.

IN A rare coincidence, the two largest U.S. car manufacturers, General Motors and Ford, are to issue $500m. worth of notes simultaneously on Thursday. Apart from pinpointing the slight differences in credit ratings between the two companies, the collision is expected to produce some interesting sales tactics as the issuers jockey for position in the market.

Ford, with an investment banker, Goldman Sachs, will offer $150m. worth of 6 year notes and $150m. of 10 year notes. GM plans to sell $200m. worth of 10 year subordinated notes with an underwriting group headed by *Morgan Stanley*. The notes have been rated double A by Moodys and single A by Stand*ard and Poors, the two key* rating agencies.

Ford, by contrast, has just been *upgraded by Moodys from* double A to triple A, though it is still double A minus with Standard and *Poors. Although* the fierce retail competition for the bonds is likely to give *some special results, market* observers expect GM's notes to yield about 8.5 per cent. with Ford's note yield reflecting their greater strength.

However, much could depend on *the precise timing of the bonds'* arrival on the market. The first to come could suffer by *showing its cards first. On the other* hand, it could sweep the field if the terms seem right.

AP-DJ *reports from Detroit:* American Motors plans to discontinue production of its *intermediate sized Matador* car model after the 1978 model year and "concentrate on our smaller car entries thereafter in line with our corporate strategy."

The company said that in the 1979 model year, it will introduce two new models "as additional entries in the smaller car segment" of the auto market.

It intends to continue operation of a plant in Milwaukee which is currently producing bodies for the Matador.

AMC said the plant will stop producing Matador bodies around the end of June but after that will manufacture other components *for* AMC cars.

The change will result in about 400 employees *being laid off* indefinitely. "This facility move will result in important *corporate operating* economies."

U.K. lists debt repayment plans in bond prospectus

BY OUR OWN CORRESPONDENT

NEW YORK, April 17.

BRITAIN has launched its marketing operation for the $350m. worth of bonds it plans to issue on the U.S. capital *market, as announced by Chan*cellor Denis Healey in his Budget last week.

The prospectus for the bonds, which gives a wealth of statistical information aimed at persuading investors to buy the bonds, has been published, and as expected it gives a detailed analysis of Britain's foreign debt and the expected repayment schedule.

According to figures provided for the document by the Bank of England, Britain's total direct external funded debt outstanding at the end of last year was $12.7bn. plus an indirect debt of $10.5bn. Of the direct debt, nearly two-thirds was accounted *for by long-term intergovern*mental loans and funds from the IMF.

The Bank of *England* also provides figures on the expected debt service requirements of the direct funded debt, in a form which is believed to provide a *fuller* picture than previously published figures.

The prospectus indicates that principal repayments on debt outstanding at the end of last year will peak at some $2.3bn. in 1981, *and remain quite high* for the next three years before tailing off sharply in the second half of the decade.

Repayments thereafter will remain in the annual range of $150m. till the end of the century. Interest repayments show a similar curve though they peak *earlier, in 1980.*

The maturity schedule on Britain's indirect external debt, that is, loans by British public corporations, reaches a peak of $2.4bn. in 1981 declining to below *$200m. by 1987.*

The prospectus makes it clear that North Sea oil will play a major role in paying off Britain's debt in the coming decade. In a special section on British oil and gas, it quotes from the Government White Paper of March 1978, that Britain "can expect to be a net exporter of oil for at least some part of the 1980s."

A table supplied by the Department of Energy points to estimated oil production from the North Sea of 100-120m. tonnes in 1981.

The U.S. bond market is watching the British offering closely since it is both the largest bond of its kind ever issued, and also marks Britain's first appearance here as a borrower since the last war. There is still no indication *of the expected yield of the two* sets of bonds—$200m. and $150m. —but they are expected to be *marketed on May 3.*

Probe into Merrill Lynch buy

By Our Own Correspondent

NEW YORK, April 17.

MERRILL LYNCH's $50m. purchase *of hWite Weld is to be* scrutinised by the Federal Government for its potential impact on competition within the U.S. securities industry.

This was confirmed by a Department of Justice spokesman this morning, who added that it had not yet been decided whether the Justice Department or the Federal Trade Commission would *carry out the investigation.* He thought that this would be sorted out over the next few *days and that responsibility* would probably fall to the Justice Department to decide whether the deal *involving the* country's largest securities firm was anti-competitive and violated Section 7 *of the* Clayton Act.

This comes as no surprise to *Wall Street, where Merrill* Lynch's acquisition is the second topic of conversation.

In the absence of any detailed explanation from Merrill Lynch securities in*dustry observers have con*cluded that the country's number one brokerage firm *was attracted to White Weld* for two principal reasons. The first was the smaller com*panies list of investment bank*ing clients which is believed to include, among others, Liggett and Myers, Mass Mutual Life, American Cynamid, Illinois Tool Works and TWA.

The secon dattraction, and the one most intriguing Wall Street, is White Weld's 30 per cent. *involvement in Credit* Suisse—White Weld. While a major force in U.S. investment banking, *Merrill Lynch* is a very much smaller factor in the Eurobond market and *European underwriting* than Credit Suisse-White Weld.

Charter puts merger plan to Commonwealth Oil

BY JOHN WYLES

NEW YORK, April 17.

COMMONWEALTH OIL Refining Company (Corco) has acquired a new suitor seeking a merger following its filing last month for protection under Chapter 11 of the Federal Bankruptcy Act.

Executives of Charter Oil Company, a subsidiary of the Florida-based Charter Company, *outlined their proposals to the* Corco Board on Friday. Corco then revealed to a creditors' *meeting* that a merger is one of the possibilities being considered for salvaging the company.

Other courses of action under consideration are a sale of cer*tain assets, selling stock to outside interests,* an internal reorganisation or a merger. Under Chaper 11 proceedings, Corco can continue its operations and be legally protected from creditor lawsuits while it tries to develop a plan for paying debts. The company's obligations now total about $330m.

The solution eventually adopted depends on a complex series of manoeuvres involving the court supervising the bankruptcy proceedings, Corco's creditors and the company's management. Charter Corpora*tion gains most of its revenue*—$1.3bn. out of $1.5bn. in 1977—from petroleum refining, market*ing and production.*

Charter is *proposing to settle* Corco's senior debt with securities from the newly combined company, plus cash payments.

Charter has said that it is impressed by the high replace*ment cost of Corco's Puerto Rico* refinery complex and believed that it had markets for the company's refined products.

In the meantime, Corco is still pressing ahead with terminating *expensive joint venture arrange*ments which helped contribute to its loss last year of $18m. on *sales of $931m.*

The company is also seeking to cancel certain "disadvantageous *marine charter contracts.*"

Kaiser Cement in Medusa bid

OAKLAND, April 17.

KAISER CEMENT and Gypsum Corporation had agreed in principle to a tax-free merger with Medusa Corporation of Cleveland for about $150m.

Terms of the agreement call *for Medusa shareholders* to receive either $47 a share cash, or 2.5 shares of Kaiser Cement Common.

Medusa has 2.84m. outstanding shares of common and 380,000 shares reserved for exercise of stock options and conversions of other securities.

The merger is subject to a definitive agreement, and approval by directors and shareholders of both companies."

The combined company will be called *Kaiser Medusa Corpora*tion and be based in Oakland.

Medusa operates seven cement plants in the Great Lakes, Middle Atlantic and Southeast areas and *also produces aggregates and* bricks. In 1977 Medusa reported record profits of $13.9m. or $5.07 a share on sales of $241.5m.

Earlier, Medusa reported a first quarter loss of $4.7m. compared *with a loss of* $2.5m. in the year-earlier period. Sales were $31.1m. against $25.8m.

A *loss in the cement industry* is not uncommon in the first quarter, but the company said *the unusually severe weather in 1978* produced the *sharply higher* loss this year.

Manufacturing costs were increased by the weather and to a lesser extent by the coal strike the company said. Maintenance costs were also higher.

Medusa said that it is optimistic that earnings for the full year will exceed last year's record despite the first quarter loss.

Agencies

Occidental earnings maintained

LOS ANGELES, April 17.

OCCIDENTAL PETROLEUM *Corporation expects to report* that net income for the first quarter was about equal to last *year's first* quarter when it reported net of $33.3m. or 45 cents a share.

Results from chemical operations were about the same as *the year ago firs quarter*

AP-DJ

Profits slide at Curtiss-Wright

BOSTON, April 17.

CURTISS-WRIGHT Corporation's first quarter earnings fell behind the $4.3m. or 51 cents a share earned on sales of $80.3m. a year earlier, Mr. T. Roland Berner, the chairman and president, said following the annual meeting.

He declined to specifically estimate the first quarter results. He also declined to project full year earnings other than to say that "we expect this will be a fair year." Last year Curtiss-Wright earned $16.3m. or $1.91 a share, compared with $19.1m. or $2.21, on sales of $309.9m. against $336.7m.

The annual meeting was surprisingly devoid of discussions concerning Curtiss-Wright's bid to topple Kennecott *Copper Cor*poration's directors in a proxy fight now under way.

Mr. Berner faced only a few questions pertaining to the bid from the approximately 40 shareholders present. In answer to one question, he did disclose that at the January meeting of the *Board*, the company was authorised to purchase up to 20 per cent. of Kennecott's outstanding shares.

In fact the Curtiss-Wright holding is 9.9 per cent. of the Kennecott shares outstanding.

After the meeting, Mr. Berner said that "I don't intend to recommend to the special company committee concerned with *the Kennecott matter that we* purchase any more Kennecott stock between now and Kennecott's May 2 annual meeting."

Meanwhile, the State of Utah has sued Curtiss-Wright Corpora*tion in Nevada* to prevent the take-over by Curtiss-Wright of Kennecott Copper Corporation which is Utah's largest employer.

A similar attempt by the State to block the take-over has already *failed in two Utah courts.*

In Baltimore, Kennecott Refining Corporation unit of Kennecott Copper said it will suspend copper refining operations for some three and a half months beginning on May 1.

Agencies

Bendix expecting record year

SOUTHFIELD, April 17.

MOTOR industry and aerospace giant Bendix Corporation reported net earnings for the *second quarter of* $1.43 a share against $1.34 previously. Total net earnings rose to $31.87m. from $29.93m. Sales increased to $872.3m. from $836.3m.

For the first half-year, net earnings of $2.71 a share compare with $2.54 a share. Total net of *$60.38m.* compare with $56.7m. Sales of $1.7bn. compare with $1.6bn.

Bendix sees continued strength for the rest of the year in the principal markets it serves and predicted that 1978 will be *another record year.*

Mr. William M. Agee, the chairman and chief executive officer disclosed that Bendix is "negotiating to sell" another part of its largest foreign subsidiary — Paris-based DBA — which has continued to lose money since the middle of last year.

He reiterated that Bendix's just-announced proposal to acquire up to a 21 per cent. interest in Asarco "is a long-term investment that will allow Bendix to participate in energy related fields" and is not necessarily a prelude to an eventual takeover of Asarco.

He explained that the severe winter weather and the lengthy coal strike "didn't impinge on *our operations as much as we* thought." Profits of three of the company's four product groups were up in the second quarter. Only Bendix's automotive group failed to share in the improved results.

The automotive operations "were down slightly" in the quarter partly because of the severe weather and continuing problems with DBA which supplies electrical and mechanical parts for automotive and aerospace markets overseas. Agencies

MCI wins court appeal

WASHINGTON, April 17.

A FEDERAL *Appeals Court* has ruled that American Telephone and Telegraph cannot withhold *certain local telephone* connections from specialised carriers that compete with AT and T's *long-distance* services.

The decision by the Appeals Court here opens the way for MCI Communications to expand the Execunet service it currently offers among 18 cities. It also apparently clears the way for expansion by Southern Pacific Communications of its similar Sprint service offered by its Southern Pacific unit to about the same number of cities, though not necessarily the same ones served by MCI.

For the nine months ended last December 31 MCI reported overall sales of communications services of $54.5m. AP-DJ.

Canada boosts Champion

NEW YORK, April 17.

CHAMPION International, plywood and paper manufacturer, announced operating net profit for the first quarter of 86 cents a share, against 57 cents previously. Total operating net increased to $43.26m. from $29.25m. on sales of $808.5m. against $617m. The 1977 net excludes income from discontinued operations of $3.03m. or 7 cents a share.

The company said of its three business segments — building materials, papers and paper packaging — building materials had the largest quarterly gains in sales and income from operations. Champion Building Products achieved near record sales in the quarter despite severe weather in January and February. Overall strength was also shown by the 74 per cent. owned subsidiary Weldwood of Canada.

Within the Champion Papers unit, demand for coated papers *continued extremely strong* during the quarter

Agencies.

EUROBONDS

$25m. Nordic new issue

By Francis Ghilès

The dollar sector had a good day yesterday with much heavier trading that is usual on a Monday. Prices moved up by half a point on average and the good news from Wall Street cheered the market *considerably.*

However, opinions were divided among dealers as to how much retail demand there was.

The Nordic Investment Bank is floating a $25m. ten year bond. Indicated coupon is 8¾ per cent. and the purchase fund, if fully used will reduce the average life of the bonds to 6.8 years. Lead manager is Credit Suisse White Weld.

The first floating rate dollar denominated certificate of deposit to be issued in the Arab money markets was launched during the week-end by Merrill Lynch International in Bahrain.

The $20m. is for the Bahrain branch of the Union de Banques Arabes et Francaises. It carries an interest rate of ¼ per cent. over the six-month dollar Bahrain interbank rate. It carries a maturity of three years. This is the first time that UBAF has issued Certificates of Deposit.

The sterling sector fell sharply again yesterday morning, *bounced back during the after*noon but was easier at the close. Citicorp, to give one example, fell to 87, *recovered to 90¼ but* closed at 99¼. Turnover was much heavier in this sector than *at the end of last week and most* dealers feel prices could well ease in the next few days.

The Deutschemark sector was easier yesterday with turnover average. Westdeutsche Landes*bank is arranging a DM40m.* private placement for Sparbankernas. Maturity is 12 years, *the average life 7.5 years*, the coupon 6 per cent. and the issue has been priced at 99 to yield *6.12 per cent.*

In the Yen sector, the Government of Thailand has signed a *contract for a Y10bn. bond with* Nomura Securities. The 10-year bond carries an interest rate of 7.4 per cent. *and will be priced* at 99¼.

● In its annual report just published one of the *two eurobond* clearing systems Cedel reports that the DM denominated sector of the new issue market accounted for 27.5 per cent. of the total volume of new issues last year, thus ranking second to the U.S. dollar sector which still accounted for 64 per cent. of the total volume.

Since then the Deutschemark has overtaken the dollar as the most favoured currencies for new issues. It accounted for 45.2 per cent. of the issues in the first three months of this year as against 44.9 per cent. for the U.S. dollar.

SCANDINAVIAN NEWS

Brostrom again omits dividend

BY WILLIAM DULLFORCE

STOCKHOLM, April 17.

BROSTROM, THE Swedish shipping group, proposes to pass its dividend for the fourth year running after reporting an increased loss for 1977. The preliminary figures show a loss of Kr.154m. ($33.8m.) *after financial charges* against a loss of Kr.112m. in 1976. Turnover was marginally *higher at a stated Kr.2bn.*

The result was in line with the management's forecast at the eight-month stage but belied hopes expressed earlier in the year that 1978 would mark a turning point in the group's fortunes. After including currency losses and sales of assets Brostrom tables a pre-tax loss of Kr.190m. for 1977 against Kr.109m. for the previous year.

By including Kr.114m. from the sold ships reserve the group account arrives at a net loss after tax of Kr.29m. compared with a loss of Kr.16m. in 1976, while the parent company shows a zero *result. A significant feature of* the preliminary figures is the net financial costs of Kr.109m., up *Kr.15m. over the year due to the* increase in group borrowings.

Trading income was Kr.131m. but depreciation came *to* Kr.178m. The bulk and tanker division, which Brostrom has been striving to reduce, *turned* in an even worse result than in 1976. Returns from the liner trade are described as "unsatisfactory" owing to the two-month strike which closed U.S. East Coast ports. *The group's other* operations improved profits.

Kosmos ship sales

KOSMOS, of Norway, which has industrial and oil interests as well as operating tankers, dry-cargo vessels and passenger ships, reports pre-tax profits of Kr.231.6m. for 1977, against Kr.153.2m., writes Fay Gjester *from Oslo.*

The upturn mainly reflects ship sales, and profits after tax *and allocations actually* fell to Kr.11.3m. from Kr.19.7m. The Board proposes to pay an un*changed dividend of Kr.20.*

The company's industrial subsidiary, Jahres Fabrikker, increased turnover last year to Kr.188m. from Kr.145m. in 1976. Jahres makes hardened fats, vegetable oils, and fatty acids. In 1977, Kosmos increased its shareholding in Jahres by 10 per cent. to 60 per cent.

Shipping operations also showed a profit last year, though lower than in 1976, and "there is hope" that results this year will not be much worse than in *1977*. Over the longer term, however, the company foresees falling freight earnings, as current charters expire, unless the market improves substantially.

Kvaerner sees downturn

BY FAY GJESTER

OSLO, April 17.

KVAERNER, shipbuilding and engineering group, of Norway, expects to achieve a *good* financial result this year though it will be "well below that achieved in 1977," the annual report states. The group's principal activities last year returned Kr.169m., against Kr.126m. in 1976. Other items included a loss of Kr.4.3m. on ship-owning interests and oil exploration expenditure totalling Kr.4m.

Licence fees relating to ships built and delivered yielded Kr.200,000, and extraordinary items yielded net earnings of Kr.1.5m. Allowing for these items, the result, before year-end appropriation, was Kr.162m. against Kr.127m. in 1976.

The result—the best in the group's history—mainly reflects high earnings by the shipbuilding subsidiary, Moss Rosenberg Verft and a mechanical engineering subsidiary, Kvaerner Brug, both of which last year completed deliveries on several major contracts.

Only one manufacturing subsidiary, Thune-Eureka, made a loss last year. This company, which previously specialised in pumps for oil tankers, has been particularly hard-hit by the shipping crisis, and is now attempting to diversify.

The 1977 result has strengthened the group's financial position and in the course of the year its working capital increased by Kr.115m. New long-term loans totalling Kr.37m. were floated and old loans amounting to Kr.34m. were paid off. Liquid assets at end-1977 totalled Kr.336m.

An unchanged dividend of Kr.12 per share is recommended.

Proposal on Statoil option

OSLO, April 17.

STATOIL, the Norwegian state oil company, should take up its *option to participate as a 50 per* cent. partner in developing Norway's part of the Murchison *oilfield in the North Sea*, the Norwegian Government believes. It tabled a proposal at the week-*end asking parliament to* authorise the company's participation.

Development of the field on the British side is already under way, and production is expected to *begin in 1980. Licence holders on* the British side are Conoco, BNOC and Gulf, and on the *Norwegian side the Statoil/* Mobil group. Norway's share of Murchison is estimated at 16.6 per cent., and Statoil puts the field's total oil reserves at about 40m. tonnes in addition to small amounts of gas and natural gas liquid.

AMERICAN QUARTERLIES

AMERICAN CYNAMID		
First Quarter	1978 $	1977 $
Revenue	650.5m.	564.5m.
Net profits	36.4m.	31.6m.
Net per share	0.76	0.66

ARCHER-DANIELS-MIDLAND		
Third Quarter	1978 $	1977 $
Net profits	9.3m.	15.4m.
Net per share	0.30	0.49

CONTINENTAL ILLINOIS		
First Quarter	1978 $	1977 $
Net profits	40.2m.	34.9m.
Net per share	1.12	0.98

COOK INDUSTRIES		
Third Quarter	1978 $	1977 $
Revenue	30.3m.	75.5m.
Net profits	*15.3m.	*11.8m.
Net per share	—	—

* Loss

ELI LILLEY		
First Quarter	1978 $	1977 $
Revenue	482.5m.	405.4m.
Net profits	79.0m.	64.2m.
Net per share	1.12	0.91

FIRST CHARTER FINANCIAL		
First Quarter	1978 $	1977 $
Revenue	25.1m.	22.1m.
Net profits	29.7m.	29.6m.
Net per share	0.85	0.75

FIRST CHICAGO FINANCIAL		
First Quarter	1978 $	1977 $
Net profits*	31.1m.	25.7m.
Net per share*	0.78	0.65

* Before securities transactions.

FLORIDA POWER CORP.		
First Quarter	1978 $	1977 $
Revenue	178.3m.	171.8m.
Net profits	19.4m.	23.9m.
Net per share	1.11	1.44

FEDERAL PAPER BOARD		
First Quarter	1978 $	1977 $
Revenue	95.5m.	90.8m.
Net profits	4.0m.	2.4m.
Net per share	0.61	0.35

HERCULES		
First Quarter	1978 $	1977 $
Revenue	439.0m.	398.0m.
Net profits	18.2m.	12.9m.
Net per share	0.42	0.30

INT. MINERALS & CHEMICAL		
Third Quarter	1978 $	1977 $
Revenue	343.4m.	331.7m.
Net profits	29.8m.	27.2m.
Net per share	1.63	1.52

MORTON-NORWICH PRODUCTS		
Third Quarter	1978 $	1977 $
Revenue	172.8m.	162.9m.
Net profits	10.0m.	8.7m.
Net per share	0.77	0.69

PIONEER INT.		
First Quarter	1978 $	1977 $
Revenue	3.9m.	3.4m.
Net profits	322,000	267,000
Net per share	0.18	0.15

PFIZER		
First Quarter	1978 $	1977 $
Revenue	546.9m.	482.6m.
Net profits	50.1m.	40.4m.
Net per share	0.71	0.58

SIGNAL COS.		
First Quarter	1978 $	1977 $
Revenue	849.0m.	717.0m.
Net profits	30.9m.	17.2m.
Net per share	1.60	0.86

WHEELABRATOR-FRYE		
First Quarter	1978 $	1977 $
Revenue	136.7m.	113.1m.
Net profits	5.8m.	4.4m.
Net per share	0.67	0.54

INTERNATIONAL FINANCIAL AND COMPANY NEWS

ENI cuts loss to $121m. as sales increase by 17%

BY PAUL BETTS

ROME, April 17.

ENTE Nazionale Idrocarburi (ENI) Italy's giant State hydrocarbon agency, has reported a loss of L102bn. ($121m.) last year compared to a loss of L117bn. for 1976. Sales rose by around 17 per cent.

Last year's losses, however, do not take into account the positive performance of a number of the agencys principal subsidiaries which will be incorporated in *ENI's 1978 balance sheet.*

The subsidiaries include the Agip oil group, which reported a profit of L56bn. last year, the engineering companies Saipem, Snam, Snam-Progetti and Nuovo Pignone, and ENI's nuclear subsidiary Agip-Nucleare. All these companies reported profits last year.

Saipem last year reported profits of L19bn., while Snam, Snam-Progretti, Nuovo Pignone and Agip Nucleare showed profits of L7.6bn., L2bn., L1.5bn., and L1.3bn. respectively in 1977.

ENI's continuing losses in large measure derive from the group's troubled textile and chemicals subsidiaries. ENI has now announced a capital write-down and subsequent capital increase operation to cover the accumulated losses of its chemicals and fibres subsidiary, Anic, which reported losses of L150bn. last year as against L106bn. in 1976.

ENI's consolidated group sales *last year increased from some* L10,000bn. in 1976 to L11,700bn., while the hydrocarbon agency, currently employing more than 100,000 people, made new investments last year totalling more than L1,000bn.

In the course of last year, ENI, like the giant State holding company Istituto per la Ricostruzione Industriale (IRI) has had to absorb a number of the former subsidiaries of the now dismantled State minerals agency, Egam.

Like IRI, it has also faced a protracted internal revolt of top managers who are now seeking a greater say in the decision making process of the State oil group.

* * *

Banco di Roma reported a 1977 net income of L5.5bn. ($7.6m.).

Deposits on hand were 16 per cent higher at L1,558bn. on December 31, while loans outstanding totalled L946bn., up 13.7 per cent.

The Board of directors, announcing these results, said the annual shareholders meeting on Friday would be asked to approve an increase in registered capital to L70bn. from L40bn.

Of the new issue, L20bn. would be distributed free to shareholders and the rest sold to them at par.

The bank is 89.2 per cent. owned by Istituto per la Ricostruzione Industriale (IRI), the State holding company.

Preference issue by HBG

BY CHARLES BATCHELOR

AMSTERDAM, April 17.

A SECOND Dutch construction company, Hollandsche Beton Group (HBG), plans to issue preference shares to protect itself against outside interference. *News of HBG's intentions* comes within a week of a similar move by the Ballast-Nedam Group.

HBG's shares were among the most heavily traded on the Amsterdam stock exchange last week rising Fls.7.50 to Fls.120 over the five trading days. The company, which is the largest contractor in Holland, said it will give detailed reasons for the share issue at the shareholders' meeting on May 11.

It is clear, however, that HBG fears that a predator company (or person) *might* try to build up a controlling interest in the company. Mr. Pieter Heerema, a Dutch businessman with extensive engineering and off-shore interests, recently announced that he had acquired about 50 per cent. of Ballast-Nedam and 40 per cent. of a third construction company, Stevin.

HBG will issue 1.07m. nominal Fls.20 Preference shares at par on May 1. The new shares, of which 10 per cent. will be paid up, will be placed at par with the "HBG Foundation." They will acquire immediate voting rights and rank for two-thirds of the 1978 dividend. The new shares are equivalent to half of *the existing ordinary capital.*

HBG is active in housing construction civil engineering, dredging and off-shore work. It reported net profit of Fls.48.6m on sales of Fls.2.44bn. in 1977.

* * *

Hoogovens and Hoesch, the Dutch and German operating units of the Estel steelmaking concern, propose passing their dividends for 1977. The two companies, which, unlike the holding company, are quoted on Bourses in Holland and Germany, paid Fls.2.05 and DM2 *respectively in 1976 from* reserves.

The decision to pay no dividend—it will be put to shareholders on May 26—comes as no surprise following the record loss of Fls.416m. reported by Estel in 1977.

Swiss insurers earn more

NET PROFITS of Switzerland General Insurance Company, of Zurich, rose to Sw.Frs.4.03m. ($2.16m.) from Sw.Frs.3.01m. last year despite a decline of *3.1 per cent. in gross premium* income to Sw.Frs.313.1m., writes John Wicks from Zurich. The fall in premiums was due to the strengthening of the Swiss franc, business in terms of local currencies having developed satisfactorily.

The company, a *subsidiary* of the Swiss Reinsurance Group, recommends transfer of an increased sum of Sw.Frs.3m. (Sw.Frs.1m.) to special reserves in order to raise equity, while the dividend payment is to be reduced to Sw.Frs.30 (65) per share.

* * *

The Geneva-based insurance company Genevoise Cie Generale d'Assurances is to pay an unchanged dividend of Sw.Frs.80 per share for the past year, with an additional Sw.Frs.20 per *twinned dividend certificate of* the life-assurance affiliate La Genevoise Cie d'Assurances sur la Vie.

The non-life parent booked a rise of 5.3 per cent. to Sw.Frs. 40.5m. in premiums for last year and acquired a 10 per cent. stake *in the legal protection insurance* specialist Orion Rechtsschutz-Versicherungsgesellschaft, of Basle.

Overall profits rose slightly from Sw.Frs.459,000 to Sw.Frs. 462,000. Profits of the life assurance company were of Sw.Frs.2.86m. *(Sw.Frs.3.12m.)* after transfer of Sw.Frs.23.85m. to the insured's profits fund.

Hambros Bank in Euro venture

THE CANADIAN Imperial Bank of Commerce has joined with *Hambros Bank as partners in a* new issuing house in the Euromarket, our financial staff writes. The venture is to be called CIBC Ltd. It will have an initial capital of £1m. of which the Canadian bank will subscribe 51 per cent. and Hambros the *remainder. The new operation* will be based initially at the Hambros City office.

Bosch to acquire control of Femsa

By Robert Graham

MADRID, April 17.

NEGOTIATIONS have been finalised for Robert Bosch International to acquire a 51 per cent. controlling stake in Fabrica Espanola de Magnetos (Femsa), the leading Spanish owned electrical concern. This means that three German companies, AEG, Siemens and Bosch, now have a major controlling stake in this sector of Spanish industry.

No formal announcement has ben made about the deal here, apparently because the Government *has not yet announced* its approval. But it is understood that the Bosch purchase was discussed by the Cabinet last Friday, and aproved.

Femsa has over the past few months been carrying out negotiations with Spanish banks for an injection of cash, in particular to service debt contracted abroad. When these negotiations proved fruitless, Femsa turned to Bosch. According to one unconfirmed report, Bosch has offered a credit of Pts.194m. ($24.2m.). However, the purchase is expected to take place through a capital increase.

Femsa with 12 plants in Spain and four abroad produces mainly batteries, distributors, switch gear and starters, alternators and coils. According to one calculation it has a 14 per cent. share of the Spanish electrical equipment market and in the case of bateries about 50 per cent. in 1976, the last year of published *accounts,* the company *had* total sales of Pts.7.7bn. ($960m.) in Spain and a further Pts.1.3bn. of exports mostly to the EEC.

This is the first important instance in the current recession of a Spanish company seeking to resolve cash flow problems by resorting to an international controlling partner. Bosch is already involved in Spain through Robert Bosch Espanola of which the German holding is 87 per cent. with the remainder being owned by Spanish banks.

Reuter reports from Dusseldorf that Robert Bosch has raised worldwide group turnover by around 10 per cent. to DM9.2bn. for 1977 and expects a further six to seven per cent. increase this year.

No profit figures were given but the company said that it would invest about DM625m. this year, up from DM500m. in 1977. The company did not exclude the possibility of changing its status from a company in GMBH form, similar to a private limited company, to an AG (Aktiengesellschaft), a joint stock company.

GERMAN NEWS

BHF satisfied with 1977

BY GUY HAWTIN

FRANKFURT, April 17.

BERLINER Handels- und Frankfurter Bank (BHF) has declared itself satisfied with 1977, despite the costs involved in sorting out the problems of Neckermann, the financially-troubled store and mail order group, which was taken over by Karstadt last year. Even allowing *for these extraordinary* costs, pre-tax profits were the best since 1970.

BHF, which is a partnership with publically issued shares, saw operating profits, excluding trading on its own account, increased by 7 per cent., said Herr H. G. Gottheiner, one of the partners. The result was achieved in the face of a 14 per cent. decline in earnings on the commercial side, which in 1976 had shown an extraordinarily steep increase as a result of particularly high profits in the bond business.

Pre-tax profits rose to DM52m. ($25.9m.) which was a 30 per cent. advance on the previous year's DM40.4m. Net profits, as a result of West German corporation tax reform, declined, however, from DM27.7m. to DM24.3m.

The parent bank's business volume rose from *1976's DM8.2bn.* to DM8.86bn., while the balance sheet total grew from DM6.42bn. to DM7.02bn. However, the growth of total assets provides very little insight into its progress during the year as BHF is a merchant bank, and much of its business is not reflected in balance sheet *totals.*

According to the partners, the bank's international operations generated more than 30 per cent. of last year's earnings. Not unnaturally, it is planned to further strengthen its international presence in the coming years. Securities *and foreign exchange* operations did very well, while 1977 saw a new peak on the new issues side.

Herr Gottheiner said that progress during the first couple of months of the current year has been "very satisfactory" with profits *markedly* better than in the comparable period of 1977. The bank, he said, was reasonably optimistic about prospects for 1978.

Triumph-Adler deals

LITTON INDUSTRIES' West *German typewriter and office* machinery subsidiary, Triumph-Adler, announced to-day a series of agreements with the Diehl Group which will give Diehl a 12.8 per cent. in Triumph Werker Nuernberg, with an option to acquire over 25 per cent. within three years, writes *Adrian Dicks from Bonn.*

In return for shares in Triumph Werke valued at DM5.9m. (about $3m.), Diehl will transfer to Triumph-Adler its computer subsidiary, Dehl Datensystem. Triumph-Adler acquires sales rights for the products of another *Diehl* subsidiary, Computertechnik Mueller, in the same field. It will also be able to market office clocks made by Diehl's Eurosil company in joint electronic development work.

At the same time, a reshuffle in shareholdings has been carried out that *increases* Triumph Werke Nuernberg's holding in Adler from 82 to 92 per cent. Litton owns over 98 per cent. of Triumph Werke, a stake that will be diluted to just over 85 per cent. by the capital increase being carried out to bring in *Diehl.*

Currency guard for banks call

BY ADRIAN DICKS

COLOGNE, April 17.

A PLEA for better protection of banks against bad risks in their international business was made here by Herr Will Marx, partner in the private banking house of Sal. Oppenheim *Jr. et Cie.*

Speaking in conjunction with Oppenheim's presentation of its "very satisfactory" results for 1977, Herr Marx pointed to the very much greater risks attendant on all forms of foreign business in times of currency fluctuation. Banks in Germany, he pointed out, were not fully covered by the Hermes export credit system, yet the risk factor had increased even in transactions with foreign governments or state-guaranteed institutions.

Herr Marx said he had no precise scheme in mind, and appealed to other bankers and *to the West German bank super*visory authorities to respond to what he called "a small stone cast into the water." He told the Financial Times that he believed it would be relatively simple to arrange a system whereby a small proportion of the sum lent, say 1 per cent., should be transferred to a special reserve.

It would be better still, he suggested, if some such practice could be standardised among all the members of large international consortia making loans to governments.

On the subject of the European Community's proposed harmonisation of accounting practices for banks, Herr Marx described as "unacceptable" the suggestion that strict limits should be placed on the construction and disposal of hidden reserves. He said that in view of the special risks inherent in the banking business, and of the need to prevent any damage to confidentiality, the creation of such reserves was "indispensable."

As in past years, Oppenheim declines to reveal its profits *beyond describing 1977 as a very* good year. Herr Marx added that it was "one of the best years in the bank's 189 years of existence, and expressed confidence that 1978 would also turn out well on the basis of the first quarter's results.

The bank's balance sheet total rose 7.8 per cent. to DM2.64bn. Particular growth areas were in foreign *exchange, though* Herr Marx said Oppenheim regarded this as a "service area for customers," rather than a business in which to trade for *itself.*

Swiss investment to rise

BY JOHN WICKS

ZURICH, April 17.

INVESTMENT activity is likely to increase in 1978-80 on the part of Swiss trading companies, service industries and undertakings in the country's capital goods sector. At the same time, there will probably be a below-average increase in investments *of building firms and* the consumer goods industry.

These estimates are made by Union Bank of Switzerland on the basis of a survey of some 400 companies with regard to their capital expenditure plans. In comparison with investments in the three years 1975 to 1977, some 42 per cent. of the undertakings questioned said that they reckoned with unchanged investments, 38 per cent. anticipated a rise in capital expenditure, and 20 per cent. expected investments to fall.

The resultant overall rise in *investment activity would* follow a marked decline over the past few years. Since the peak of the investment wave in 1972, the Swiss investment rate, measured as the share of gross fixed-assets investment in gross national product, dropped from 28.6 per cent. to only 20.2

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS

	Bid	Offer
Alcan Australia 9¾pc 1989	96½	97
AMEV 8pc 1987	96½	97½
Australia 8½pc 1992	94½	95¼
Australian M. & S. 9½pc '92	96	96½
Barclays Bank 8¾pc 1992	97	97½
Bowater 9½pc 1992	97½	98½
Can. N. Railway 8¾pc 1986	98	98½
Credit National 8¾pc 1986	97½	98
Denmark 8¾pc 1984	100	100½
ECS 9pc 1993	98½	99½
ECS 8¾pc 1997	95½	96½
EIB 8¾pc 1992	97½	98½
EMI 9½pc 1989	95	95½
Ericsson 8¾pc 1989	96½	97
Esso 8pc 1986 Nov.	101½	102
Gt. Lakes Paper 8½pc 1984	99	99½
Hamersley 9½pc 1992	100½	101
Hydro Quebec 9pc 1992	96½	97
ICI 8½pc 1987	97½	98½
ISE Canada 9½pc 1986	104	104½
Macmillan Bloedel 9pc 1992	96½	97½
Massey Ferguson 9¼pc '91	96½	97½
Michelin 9½pc 1988	101½	102½
Midland Int. Fin. 8½pc '92	98½	99½
National Coal Bd. 8pc 1987	94½	95½
National Westmnstr. 9pc '86	101½	102
Newfoundland 9pc 1989	101	101½
Norges Kom. Bk. 8½pc 1992	97	97½
Norpipe 8½pc 1989	97½	98½
Norsk Hydro 8½pc 1992	96½	97
Oslo 9pc 1988	101½	102½
Ports Autonomes 9pc 1991	98½	99½
Prov. Quebec 9pc 1995	96½	97
Prov. Saskatch. 8½pc 1986	100	100½
Reed International 9pc '87	93	95
RHM 9pc 1992	93½	94
Selection Tst. 8½pc 1989	90½	91½
Skand. Enskilda 9pc 1991	99½	100
SKF 8pc 1987	93½	94
Sweden (K'dom) 8½pc 1987	96½	97
United Biscuits 9pc 1989	98½	99½
Volvo 8pc 1987 March	93	93½

NOTES

	Bid	Offer
Australia 7½pc 1984	95	96½
Bell Canada 7½pc 1987	95½	96
Br. Columbia Hyd. 7¾pc '85	94½	95½
Can. Pac. 8½pc 1984	100	100½
Dow Chemical 8pc 1986	98½	99
ECS 7¾pc 1982	96½	97½
ECS 8½pc 1989	95½	96½
EEC 7½pc 1982	96½	97
EEC 7¾pc 1984	95½	96½
Enso Gutzeit 8½pc 1984	96½	97½
Gotaverken 7¾pc 1982	97½	98½
Kockums 8pc 1983	98½	99
Michelin 8½pc 1983	99½	100½
Montreal Urban 8½pc 1981	101	101½
New Brunswick 8pc 1984	97½	98½
New Bruns. Prov. 8½pc '83	100½	101½
New Zealand 8½pc 1986	99	99½
Nordic Inv. Bk. 7¾pc 1984	95½	96½
Norsk Hydro 7¾pc 1982	97½	98
Norway 7¾pc 1982	96	96½
Ontario Hydro 8pc 1987	96½	97½
Singer 8½pc 1982	100½	101
S. of Scot. Elec. 8½pc 1981	100½	101
Sweden (K'dom) 7¾pc 1982	97½	98
Swedish State Co. 7¾pc '82	97½	98½
Telmex 9½pc 1984	99½	100½
Tenneco 7¾pc 1987 May	93½	94½
Volkswagen 7¾pc 1987	95	95½

STERLING BONDS

	Bid	Offer
Allied Breweries 10½pc '90	86½	87½
Citicorp 10pc 1993	86½	87½
Courtaulds 9½pc 1989	86½	87
ECS 9½pc 1989	91	91½
EIB 9½pc 1988	91	91½
EIB 9¾pc 1992	91½	91½
Finance for Ind. 9½pc 1987	87½	88½
Finance for Ind. 10pc 1989	87½	88½
Fisons 10½pc 1987	92	92½
Gestetner 11pc 1988	91½	93½
INA 10pc 1988	86½	87½
Rowntree 10½pc 1988	87	87½
Sears 10½pc 1988	86½	87½
Total Oil 9½pc 1984	89½	90½

DM BONDS

	Bid	Offer
BFCE 5¾pc 1985	100	100½
BNDE 6½pc 1985	97	97½
CFE 6½pc 1983	97	97½
Denmark 5½pc 1984	100½	101½
ECS 5¾pc 1990	97	97½
EIB 5¾pc 1990	95	95½
Electrobras 6½pc 1985	97½	98½
Euratom 5¾pc 1987	99½	100½
Eurofima 5½pc 1988	100½	101½
Finland 5½pc 1986	95½	96
Forsmarks 5¾pc 1990	98½	99½
Mexico 6pc 1985	95	96½
New Zealand 5¾pc 1986	101	101½
Norcem 5¾pc 1989	100½	101½
Norway 4½pc 1983	101½	102½
Philippines 6½pc 1985	96½	97½
Rautar Ruukki 5¾pc 1988	97½	98½
Sweden 6pc 1989	101½	102½
Tauernautobahn 5½pc 1988	99½	100½
Trondheim 5¾pc 1988	98½	99½
TVO Power Co. 6pc 1988	97½	98½
Venezuela 6pc 1988	98	98½
World Bank 5¾pc 1988	98½	99½

FLOATING RATE NOTES

	Bid	Offer
Bank of Tokyo 1984 7 15/16pc	99½	100
BFCE 1984 8¼pc	99½	100½
BNP 1983 8 1/16pc	99½	100½
CCF 1985 8pc	99½	100½
CGMF 1984 7¾pc	99½	99½
Creditanstalt 1984 7¾pc	99½	100½
Credit Lyonnais 1982 8pc	99½	100½
DG Bank 1982 7 15/16pc	100½	100½
GZB 1981 8 1/16pc	100½	101½
Intl. Wstmnstr. '84 7 15/16pc	99½	100½
Lloyds 1983 7¾pc	100½	100½
LTCB 1983 8pc	99½	100½
Midland 1982 8pc	101½	102
Midland 1987 7 11/16pc	99½	99½
OKB 1983 7¾pc	100	100½
SNCF 1985 8½pc	99½	99½
Std. and Chtrd. '84 7 11/16pc	99½	100½
Wms. and Glyns '84 8 1/16pc	99½	100½

Source: White Weld Securities.

CONVERTIBLES

	Bid	Offer
American Express 4¼pc '87	87½	89
Ashland 5pc 1988	90	91½
Babcock & Wilcox 6½pc '97	93½	94½
Beatrice Foods 4½pc 1992	97½	99
Beatrice Foods 4¾pc 1992	104½	106
Beecham 6½pc 1992	94½	95½
Borden 5pc 1992	100½	102
Broadway Hale 4½pc 1987	80	81½
Carnation 4pc 1987	79	80½
Chevron 5pc 1988	126	127½
Dart 4pc 1987	80½	82
Eastman Kodak 4½pc 1988	82	83½
Economic Labs. 4½pc 1987	78	79½
Firestone 5pc 1988	82½	84
Ford 5pc 1988	91	92½
General Electric 4¼pc 1987	83½	85
Gillette 4¾pc 1987	79	80½
Gould 5pc 1987	111½	113
Gulf and Western 5pc 1988	87	88½
Harris 5pc 1992	153	155
Honeywell 6pc 1986	90½	92
ICI 6¾pc 1992	86	87
INA 6pc 1997	97½	99
Inchcape 6¾pc 1992	110½	111½
ITT 4½pc 1987	83	84½
Jusco 6pc 1992	117½	118½
Komatsu 7½pc 1990	131½	132½
J. Ray McDermott 4¾pc '87	164½	168
Matsushita 6½pc 1990	171	172
Mitsui 7¼pc 1990	128½	130½
J. P. Morgan 4½pc 1987	97½	99
Nabisco 5½pc 1988	101½	103
Owens Illinois 4½pc 1987	112½	114
J. C. Penney 4½pc 1987	79	80½
Revlon 4¼pc 1987	105½	107
Reynolds Metals 5pc 1988	87½	89
Sandvik 6½pc 1988	108	110
Sperry Rand 4¼pc 1987	84	85½
Squibb 4½pc 1987	80½	82
Texaco 4½pc 1988	81½	83
Toshiba 6½pc 1992	135½	136½
Union Carbide 4½pc 1982	95	96½
Warner Lambert 4½pc 1987	82½	84
Warner Lambert 4½pc 1988	87	88½
Xerox 6pc 1988	81	82½

Source: Kidder, Peabody Securities.

Rothschild group in the red

By David White

PARIS, April 17.

THE ROTHSCHILD family's French holding company, Compagnie du Nord, made a net loss of Frs.28.9m. ($6.3m.) last year, against a 1976 profit of Frs.23m.

The company said the loss did not reflect on "the intrinsic profitability" of its holdings, and announced an unchanged dividend of Frs.2.25 per share.

Compagnie du Nord, the majority of which is held by the French branch of the Rothschild family, has its main interests in banking, metals and tourism. The 1977 figures included "exceptional losses" suffered in property and construction as well as provisions for depreciation and "various risks."

The company, originally founded as a railway operator, said its operating profit was close to the previous year's results.

The family's deposit bank, Banque Rothschild, earlier announced a 60 per cent. drop in 1977 earnings and had to dig into reserves in order to maintain the dividend.

There were other setbacks in Imetal, the Rothschild-controlled mining and metals group. These included a "marked loss" at Le Nickel-SLN, in which Imetal holds a half share alongside the State-controlled Elf-Aquitaine oil group, reflecting the depression in the world nickel market.

Gervais-Danone lifts dividend

PARIS, April 17.

NET PROFITS of Frs.96.7m. ($21.2m.) are announced by BSN Gervais-Danone. The group returned net profits of Frs.59.3m. in 1976.

The company is stepping up its dividend to Frs.40.5 from Frs.37.8. It states that the profits for the year are shown after write-offs amounting to Frs.81.7m. compared to Frs.69.5m. in 1976.

Gervais-Danone is one of the largest companies in the French food and drink sector—it controls almost half the national beer market *through its* Kronenbourg and Kantebrau brands—and is also the country's major group in the glass packaging field.

* * *

MANUFACTURERS of throw-away pens and lights BIC International reports net consolidated profits of Frs.133.5m. against Frs.134.8m. in 1976. Net profits of the parent company alone were Frs.41.10m. (Frs.46.45m.). Net dividend is Frs.9.10 per share against Frs.8.50 on capital increased in 1977 through a one-for-three scrip issue.

Borregaard setback

NET LOSSES for 1977 of Kr.18.5m. ($3.4m.) are reported by the Swedish industrial group Borregaard which is to pass its dividend, having paid Kr.4 to shareholders in 1976, writes our financial staff.

Group losses last year totalled Kr.18.5m. after tax compared with Kr33.4m. Gross external sales were Kr.2.96bn., against Kr.2.66bn., of which Kr.1.48bn. compared with Kr.134bn. was for exports. Capital expenditure last year came to Kr.219m. (Kr.244m.).

HONGKONG-MARINE MIDLAND MERGER

Complex issues for the authorities

BY STEWART FLEMING IN NEW YORK AND ANTHONY ROWLEY IN HONG KONG

THE PROPOSED acquisition by Hongkong and Shanghai Bank of Marine Midland Bank in the U.S. seems destined to create an exceptional international banking group in terms of size and geographic spread. The combined assets of the two banks of $29bn. would bring the group into the top two dozen in the world. In addition the result would be in the singular position of having large local deposit bases in both the U.S. and the Far East, as well as a substantial Middle East business through a subsidiary of the Hongkong Bank, British Bank of the Middle East.

Marine Midland is the 13th largest bank in the U.S. and would be the largest ever acquired from abroad. As a result of the acquisition, the Hongkong Bank would become the first foreign bank to be represented on the New York clearing banks' Committee, although indirectly.

Before the Hongkong Bank can complete the acquisition of 51 per cent. of Marine Midland's stock it must gain approval from various regulatory authorities. That is a hurdle which has prevented at least one large foreign banking acquisition in the U.S. — the proposal in 1973 that Barclays Bank take over Long Island Trust. It was blocked by the New York State banking authorities.

Advantages

It is already clear that the acquisition is likely to raise complex and some unique issues for the agencies that have to approve it. *They include the* Federal Reserve Board, the New York State banking department, and the Securities and Exchange Commission (SEC). The Hong Kong Bank must be greatly encouraged, however, by remarks made by the Federal Reserve chairman, Mr. William Miller, last week stressing the advantages of the proposal and indicating preliminary support.

The deal promises to become the first large acquisition involving a foreign bank which the Securities and Exchange Commission could be involved in. Because the proposal involves Hong Kong and Shanghai making a tender offer for 25 per cent. of Marine Midland's issued stock, and because the deal involves the Marine Midland Bank's holding company, rather than the bank directly, the SEC will be involved in addition to the U.S. bank authorities.

This matters because late last year the SEC drew up disclosure rules for tender offers requiring publication of financial data where it is "material." The agency has yet to devise disclosure rules for a bank making a tender offer. Early reactions suggest that given the large minority public stake that will remain after the merger and given the agency's recent aggressive record, the SEC could well see the Hong Kong bid as an opportunity to set precedents.

The U.S. authorities could be unhappy about the Hongkong Bank's corporate disclosure policy to shareholders. Already behind U.K. banks in this respect, the Hongkong Bank appears to be marginally regressing rather than progressing. Yet the Americans are likely to encounter considerable difficulty should they seek to persuade the *Hongkong Bank to lift the veil* on its inner reserves. It is not inconceivable that the deal could be restructured to avoid SEC involvement.

Once acquisition by the Hongkong Bank of Marine Midland

Michael Sandberg, chairman of the Hongkong and Shanghai Banking Corporation (left) and Edward Duffy, chairman of Marine Midland Banks, Inc.

is completed, the Hongkong Bank would be supervised by the Hongkong banking authorities, and Marine Midland by U.S. authorities. There already is talk of the need for greater co-ordination between the U.S. and Hongkong authorities because of the singular joint international spread of the two banks, and *to try to ensure that the international* operations of the two groups do not fall between two regulatory stools.

The Hong Kong banking ordinance lays down powers of control over banks and the duties of banks on matters such as the minimum holding of specified liquid assets, maintenance of reserves, the maintenance of adequate provision against bad and doubtful debts, minimum paid-up capital limitations on the holding of shares and land by banks and limitations of advances, among other things.

Stringency

One of the most stringent of these regulations is that every bank must submit monthly statements to the commissioner of banking showing the assets and liabilities of its offices and branches in the Colony and quarterly statements analysing loans and advances made by those offices and branches.

One section says that a bank *shall not acquire or hold any* part of the share capital of any other company or companies to an aggregate value in excess of 25 per cent. of the paid-up capital and reserves of the bank. For some reason this does not apply to the acquisition of other banks —hence, Hongkong Bank's purchase of Marine Midland.

This dispensation has also allowed the Hongkong Bank to make wholly-owned subsidiaries of the British Bank of the Middle East, Mercantile Bank and Hang Seng Bank, biggest of the "Chinese" banks in Hong Kong.

A ban or moratorium on the opening of new branches by foreign banks was introduced in Hong Kong in 1966, again as a precautionary or pre-emptive measure following a number of bank failures including that of the Canton Trust. *This means* that the number of full banks operating in the Colony has stuck at 74 since then though the moratorium was waived temporarily in 1974 when Barclays Bank slipped in.

Hong Kong has just lifted this moratorium and it is significant that the Hongkong and Shanghai Bank chairman, Michael Sandberg, publically supported the liberalisation of Hong Kong's banking laws earlier this year *to allow foreign banks in again*. At the same, as it now transpires, he was carefully lay*ing plans for a major acquisi*tion by his own bank in America, and morally could hardly have continued supporting a semi closed-door policy.

Issue function

Apart from the general banking ordinance, the Hongkong Bank also has its own special ordinance, the Hongkong and Shanghai Banking Corporation Ordinance, which is in effect the bank's articles and memorandum of association.

This governs such things as the Hongkong Bank's note-issuing function on behalf of *the Hong Kong Government*— Chartered Bank is the other bank of issue—and its activities as banker to the Government.

It does not, however, make the Hongkong Bank a lender of last resort, as is sometimes supposed. In Hong Kong there is a virtual absence of Government debt and so the banking system holds its reserves in the form of foreign currency provisions. The absence of domestic reserve assets means there is no need for a lender of last resort in the conventional sense.

As a senior Hong Kong monetary official points out, the Hongkong and Shanghai Banking Corporation can, and does, create clearing balances by lending in the Interbank market, in a way similar to that which might be employed by a central bank elsewhere. *But there are limitations* to this process which mean that it falls short of a conventional last-resort facility.

There is no central bank as such in Hong Kong, for as Peter Hayward, Deputy Secretary for *Monetary Affairs*, pointed out at a recent foreign exchange conference, there are no foreign exchange controls and no Government debt so that much of the raison d'etre of a central bank is lacking.

Foreign exchange

The main central banking functions are provided in Hong Kong by the Exchange Fund. *This is a Government account* managed by the monetary affairs branch of the Government Secretariat, under the direction of the Financial Secretary. Its primary function now is to regulate the foreign exchange value of the Hong Kong dollar. It is intended to transfer the Government's Hong Kong dollar *balances to the exchange fund*, which will then become the sole intermediary between the Government and the banking system, or banker to the Government. The Hongkong and Shanghai Bank will continue to operate the clearing system however.

Mr. Sandberg disclosed at the Bank's *annual meeting on April* 14—when some 300 shareholders raised not so much as one ques*tion on the proposed* Marine Midland acquisition—that the Bank feels some of the listing requirements on the London Stock Exchange to be "inappropriate to a bank in Hong Kong." The Hongkong Bank is thus likely to opt for de-listing in London and to have its shares traded there like other leading Hong Kong companies under Rule 163 (1)(e).

The Bank appears to be *unhappy about certain disclosure* requirements in the London Stock Exchange "yellow book." *Seventy per cent. of the Bank's* shares are now held in Hong Kong and shareholders in the Colony generally tend to worry less about corporate disclosure than do their London counterparts. But if the Hong Kong Bank can turn back the tide of greater disclosure by opting out of a full London listing it may yet find the SEC more persistent in their demands.

Heavy loss at Coal India despite record turnover

BY P. C. MAHANTI

CALCUTTA, April 17

COAL INDIA, the State-owned company which runs the nationalised coal industry incurred a record loss of Rs.880m. ($105m.) in 1977-78, almost equalling the losses in the previous two years together.

This is in spite of turnover reaching a peak of Rs.6bn. ($715m.), and consumption at 91.25m. tonnes being ahead of the year's production of 89m. tonnes, itself marginally higher than the year's target of 88.15m. tonnes.

Coal India attributed the loss to "unrealistic" prices fixed by the New Delhi authorities for coal. A price increase of Rs.9-10 per tonne has been demanded to offset rising costs, but this has not been granted—pending investigation of Coal India's costs and *prices*.

Coal India complains that the present prices do not include any *provision for depreciation*, or interest on loans which constitute 50 per cent. of its capital. *If depreciation and interest were* excluded, the cost loss would come to only Rs.180m., it is said. However, Finance Minister H. M. Patel feels that Coal India is burdened with surplus staff and thus its operational efficiency is below the desired level, and that his Ministry cannot be a "bystander" in a matter in which heavy support has to be given year after year to subsidise Coal India's losses.

Coal India has fixed a higher production target of 100.5m. tonnes for the current financial year, which together with those of other collieries makes a total of 113m. tonnes. In view of the pick-up in domestic demand, there is no definite plan for coal exports this year.

The financial result apart, a feature of Coal India's operations in 1977-78 was that productivity as represented by *output per manshift declined* some 13 per cent.

Swire Pacific move ahead

BY ANTHONY ROWLEY

HONG KONG, April 17

SWIRE PACIFIC, the diversified trading, manufacturing and *services group, has announced a* 48 per cent. increase in after-tax profit for 1977, to $HK185m. ($US40m.).

The increase described as "significant" by the Swire Board, was ahead of analysts' forecast, and Swire is proposing a one-for-ten scrip issue.

Final dividends of 22 cents per A share, against 25 cents, and 4.4 cents per B share, against 5 cents, are being recommended, *making a total distribution for* the year of 32 cents per A share and 6.4 cents per B share.

The *directors say that* "prospects for 1978 are encouraging," and they believe that dividends can be at least maintained on the capital increased by the scrip issue.

In addition to good results earlier from its subsidiary, Swire Properties, part of whose share capital was floated to the public last year, Swire Pacific is believed to have benefited by good results from its airline subsidiary, Cathay Pacific.

Property purchase

Wah Kwong Properties is to buy a residential-commercial complex, Tonnochy Towers, for $HK56m. ($US12.2m.) from Swire Properties, the Swire group's property arm, writes Daniel Nelson from Hong Kong.

Windsor House

A $HK160m. ($US21.6m.) contract has been signed by Hongkong Land Company and Gammon Building Construction for the superstructure of Windsor House, the 41-storey commercial building which Hongkong Land is developing in Causeway Bay, Hong Kong.

Pan Electric reconstruction plan

BY WONG SULONG

KUALA LUMPUR, April 17

PAN ELECTRIC *and General* Industries, the Malaysian-based investment company, has announced a reconstruction scheme to separate its Malaysian and Singapore assets, to conform to the Government's new economic *policy and to take advantage of* the oil supply services available for Malaysian firms.

The company, commonly known as PEGI, intends to offer for sale to its shareholders the entire 9.9m. shares in its wholly-owned Singapore subsidiary, Growth Industrial Holdings (GIH) on the basis of eight GIH 50 cent shares for every five PEGI shares.

GIH's main asset is its 45 per *cent. holding in the Singapore*-incorporated Pan Electric Industries.

The net effect of the reconstruction is that PEGI shareholders will continue to have an indirect investment in *Pan Electric, while PEGI* will use the proceeds of the sale to expand its oil supply services.

PEGI will acquire *from* Pan Electric 74 per cent. of the equity in Selco Malaysia, which is involved in providing tugs and barges for offshore oil operations.

In turn, Selco Malaysia will team up with a Malay firm, to form Serply, which will provide tertiary services to the offshore oil industry.

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APPOINTMENTS

Rolls-Royce post for R. W. Perry

Mr. Richard W. Perry has joined the Board of ROLLS-ROYCE MOTORS Car Division and has been appointed managing director of Mulliner Park Ward, the London coachbuilding company which is part of the Rolls-Royce Motors group. Mr. Perry was, until recently, director of manufacturing at Leyland Cars.

★

Mr. D. B. Reid, a director of Williams and Glyn's Bank, has been appointed a director of the YORKSHIRE BANK following the retirement of Mr. K. G. Holden.

★

Mr. J. K. Brannigan, Mr. J. N. Dowlan and Mr. G. R. Hollaway have been appointed directors of LESLIE AND GODWIN INTERNATIONAL.

★

Mr. Clive Kidd has become chairman of the SUSPENDED CEILINGS ASSOCIATION and Mr. Terry Harris is the new deputy chairman.

★

Mr. K. G. Wilton has joined the CRONITE GROUP as financial director designate. He will be based at the group's Solihull offices.

★

Mr. Richard M. Trim has been appointed managing director of McKETTRICK-AGNEW AND CO., a subsidiary of Scientific-Atlanta, Inc.

★

Mr. D. Smith, technical director of Gough Cooper and Co., has been appointed to the Board of the BCB GROUP.

★

Mr. J. M. Paul, general manager East Anglia, and Mr. G. W. Dwan, milling services manager, have joined the Board of PAULS AND WHITES FOODS, a member of the Pauls and Whites Group.

★

Mr. D. H. Jones, Mr. B. A. McSwiney and Mr. M. S. Rosenberg have been appointed executive directors on the Board of UNITED MEDICAL ENTERPRISES, the company owned jointly by National Enterprise Board, Commercial Union Assurance, Orion Bank and London Trust, and which recently made a successful bid for Allied Investments.

★

The Welsh Division of the BRITISH STEEL CORPORATION has appointed Mr. Bob Avis as manager, personnel, at Shotton Works, North Wales. He has been succeeded by Mr. Philip Westwood as group manager, personnel, in the division's Associated Products Group. Mr. Avis replaces Mr. Don Axon, who has become director, personnel and social policy, in the Corporation's Scottish Division.

★

Mr. D. A. Mason has become a director and assistant general manager of BARCLAYS BANK OF ZAMBIA. He was formerly deputy managing director of Barclays Bank of Trinidad and Tobago.

★

Mr. R. Goodyer and Mr. W. J. Old have been appointed directors of the marine division of J. H. MINET AND CO.

★

Mr. Douglas M. Fergus has been elected chairman of the Scottish branch of the INSTITUTE OF BUILDING, succeeding Mr. Kenneth A. McDougall.

★

Mr. Alan Daniel and Mr. John E. Gibbins have joined the Board of FARNELL ELECTRONIC COMPONENTS. Mr. Kenneth Gledhill has become deputy managing director.

★

Mr. Sidney Collings has been appointed manufacturing director of PITNEY BOWES MARKING SYSTEMS.

★

Mr. Robert R. Edgar has been appointed chairman and Mr. Ronald Collingwood, deputy chairman, of H. SAMUEL, and both remain joint managing directors. Mr. S. R. Gentilli and Mr. G. G. Lemen continue as merchandise director and estates director, respectively, and Mr. J. N. Lindop as a non-executive director.

★

Mr. James O'Connor, formerly director of the Institute of Practitioners in Advertising, has been appointed to act as European adviser to the INDEPENDENT TELEVISION COMPANIES ASSOCIATION on a part-time basis starting May 1. He will represent ITCA at meetings in Europe with special reference to EEC legislation as it affects marketing and advertising on television.

★

Mr. I. P. Cameron Black, of Standard Chartered Bank, has been appointed honorary secretary and treasurer of the BRITISH OVERSEAS AND COMMONWEALTH BANKS ASSOCIATION in place of Mr. R. D. Mason, who has relinquished that position because of a change in his duties.

★

Mr. Leif Forsberg has been appointed the first director of the SWEDISH-BRITISH TRADE ASSOCIATION from July 1.

★

S. WERNICK GROUP has made three appointments to its Board: Mr. Raymond F. Hunt, as group sales director, Southern; Mr. Harry T. Peacock, group export sales director; and Mr. Donald B. Richards, group sales director, Midlands.

★

Mr. Vincenzo Comboni has been appointed deputy managing director of CHEMICAL BANK INTERNATIONAL in London. He has been succeeded by Mr. Marzio Astarita in Milan as general manager of Chemical Bank in Italy.

★

Mr. R. Wickenden retires from Board of ROTHMANS INTERNATIONAL on April 30.

★

Mr. Ronald Clempson has been appointed a director and elected chairman of CROUCH GROUP. The retiring chairman, Mr. W. F. Lyons, will become vice-chairman and continue as senior legal advisor to the group. Mr. David J. Cakebread has been appointed financial director. Last month Teape White Property Holdings, a private company controlled by Mr. Clempson, acquired a substantial shareholding in Crouch Group. Mr. Clempson was previously a director of Buckley Investments.

★

Mr. Norman H. Davis, Mr. David Stark and Mr. Charles Wyatt have been appointed directors of DIXOR following the acquisition of 57.5 per cent. of its equity, by a consortium of investors, from Matthews Holdings.

★

Mr. John E. Colman has been appointed chairman of the SMITHFIELD SHOW JOINT COMMITTEE, which organises the Royal Smithfield Show for the Royal Smithfield Club, the Agricultural Engineers Association and the Society of Motor Manufacturers and Traders. Mr. Colman is chairman of the Colman Group.

★

Mr David J. Hutton has been appointed managing director of MULTIWORLD, an Arab backed international trading company.

★

Mr. Simon Hornby, retail director of W. H. Smith, has been appointed chairman of the NATIONAL BOOK LEAGUE, succeeding Mr. Michael Holroyd.

★

Mr. Charles Vaughan-Lee, chairman of J. AND A. SCRIMGEOUR, stockholders, retires on May 12 and he will be superseded by Mr. H. G. A. Ross.

★

Mr. Andrew Teare has been appointed general manager—Europe for CEMENT-ROADSTONE HOLDINGS and will be responsible for the overall profitability of Forticrete in the U.K. and Van Neerbos in Holland, and for the further development of the group's interests in Europe. He takes up his new post on a full-time basis in June.

★

Mr. Leonard Raed has become security adviser to the NATIONAL MUSEUMS AND GALLERIES succeeding Mr. Trevor Williams who has retired.

★

Mr. B. Halksworth has been appointed a director of GREEN'S ECONOMISER GROUP and Mr. F. M. Copham has resigned from the Board.

★

Mr. Peter Bourne, formerly divisional secretary of the Enfield Rolling Mills Division of Delta Metal, has been appointed financial director of DELTA METAL ELECTRICAL (HOLDINGS).

HOME CONTRACTS

GEC order for winders

GEC ELECTRICAL PROJECTS has an order, valued at £4.7m., for electrical drives, associated equipment and services as part of the NCB second phase mine winder replacement programme. The company is responsible for the design, manufacture, erection and commissioning of winder drives, including the mechanical parts, for five installations at three collieries in the Doncaster area. The winders are of single and double design, ground mounted, rated from 2,300 hp to 3,700 hp. The equipment will be manufactured at GEC factories in Rugby, Stafford, Broadstairs, Kidsgrove, Manchester and Liverpool, and will be installed during 1979 and 1980.

★

Fifty kilometres of pipe worth £4.5m. are to be supplied by the STANTON AND STAVELEY group of the British Steel Corporation for water supply schemes in Yorkshire and Lancashire. Four contracts are involved, of which the largest is for concrete lined Stantyte ductile spun iron pipes worth £4m., required by the Yorkshire Water Authority for the construction of a 10 km., 900 mm. diameter twin main from Chelker Reservoir to augment the existing supply to Bradford.

★

ROCLA PIPES has won an order valued at £300,000 to supply 1,350 and 2,400 mm. diameter prestressed concrete pressure pipes for use in the Southern Water Authority Peel Common sewage treatment works scheme. The order was placed by John Laing Construction — main contractors for the scheme.

★

SPERRY MARINE SYSTEMS Europe, through the French subsidiary company, Sperry Marine Systems France, has an order for navigation equipment valued at nearly $1m for five vessels being built for the Malaysian International Shipping Corporation. The vessels are LNG carriers being built at CNIM, La Seyne and Chantiers de France, Dunkerque, and will be completed over the next three years.

★

Seven Bedford 32-ton TM Tractor Units, valued at £125,000, have been purchased by the contract hire and leasing company, Ryder Truck Rental, Perivale, Middlesex.

★

The Royal Aircraft Establishment at Farnborough is to install a COSSOR ELECTRONICS Compass 9000 SSR (Secondary Surveillance Radar) processing and display system under a contract worth almost £250,000. Six displays will automatically show the identity and height of aircraft within a 60-mile radius of the RAE, Farnborough—one of the busiest areas of airspace in the U.K. Farnborough Air Traffic Control provides radar service to and from Blackbushe, RAF Odiham and Dunsfold aerodromes and has delegated control of a section of the London Terminal Control area up to an altitude of between 3,000 and 6,000 feet.

★

Orders worth a record £705,000 were received during March by the Gloucester-based CHARMILLES U.K.—destined for the U.K. market. A total of 11 high-technology spark erosion machines have been sold to engineering companies and specialist toolmakers serving the plastics, automobile and aerospace industries. These machines will be delivered over the next six months to customers all around the country. The company was established in in 1973 as part of the Swiss-based Charmilles Group.

★

LESSER CONSTRUCTION has a contract worth £131,000 to design and build a computer centre for GEC Midland Computer Services in Newport Road, Stafford. Work has begun, and completion is expected by September.

APPOINTMENTS

INTERNATIONAL CONSULTING PARTNERS

Dynamic European/International Consulting Group is looking for International oriented professionals as representatives/partners. We would like to get associated with outstanding, multi-lingual individuals with proven international track record in any of the following areas:

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Labour Economist

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Applications should be made in writing giving career and personal details to David Swift, Staff Executive, 120 Bothwell Street, Glasgow, G2 7JP to arrive not later than Monday, 1st May, 1978.

Scottish Development Agency

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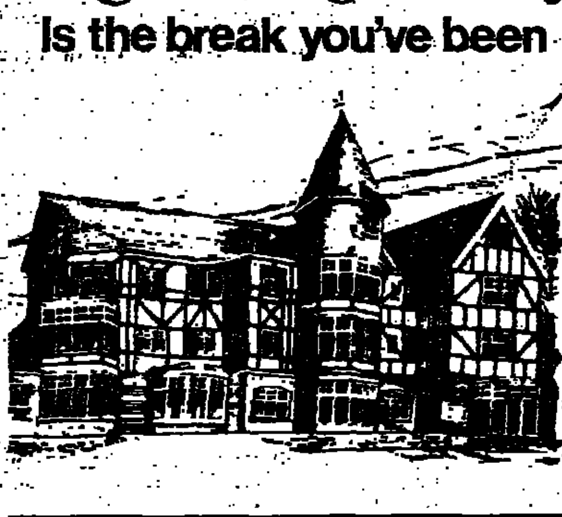

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COMPANY NOTICES

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.

Negotiable Foating Rate U.S. Dollar Certificates of Deposit

Maturity Date 20th October 1980

In accordance with the provisions of the Certificates of Deposit notice is hereby given that for the initial six month interest period from 18th April 1978 to 18th October 1978 the Certificates will carry an Interest Rate of eight and one-sixteenth per cent. ($8\frac{1}{16}$%) per annum.

Agent Bank
Manufacturers Hanover Limited

INTERNATIONAL COMMODITY SHARE FUND "ICOFUND"
Societe Anonyme
Registered Office Luxembourg
23, Avenue de la Porte-Neuve.
R.C. Luxembourg B 7.942

ANNUAL GENERAL MEETING OF SHAREHOLDERS

OTICE IS HEREBY GIVEN that the nnual general meeting of the company ll be held at 23, Avenue de la orte-Neuve, Luxembourg, on April , 1978, at 11 a.m. for the following rposes, namely:

-to receive and adopt the reports of the directors, statutory auditor and auditors;

-to adopt the balance sheet and the profit and loss account as at December 31, 1977;

-to appropriate the earnings;

-to approve the transfer to the fund of the results of the repurchase company's transactions on the sales and redemptions of shares;

-to discharge the directors and statutory auditor;

-to transact any other business.
In order to attend the meeting, the olders of bearer shares are requested lodge their shares five days before e meeting with one of the undermentioned financial institutions. The ares will remain on deposit until e day following the date of the neral meeting:

-Banque de Paris Et Des Pays-Bas pour Le Grand-Duche de Luxembourg in Luxembourg.

-Banque de Paris Et Des Pays-Bas in Paris, Geneva, Brussels, London and Amsterdam.

-Banca Commerciale Italiana: Head Office and branches.

THE BOARD OF DIRECTORS.

ART GALLERIES

AGNEW GALLERIES, 43, Old Bond St., W.1. 629 6176. THREE CENTURIES OF BRITISH PAINTINGS. Until 28 April. Mon.-Fri. 9.30-5.30. Thurs. until 7.

BROWSE & DARBY, 19, Cork St., W.1. SICKERT. Mon.-Fri. 10.00-5.30. Sat. 10.00-12.30.

COLNAGHI, 14, Old Bond St., W.1. 01-491 7408. INDIAN PAINTINGS—*Mughal* and *Rajput* 1500-1850. Until 8 May. Mon.-Fri. 9.30-5.30. Sat. 10-1.

FIELDBOURNE GALLERIES, 63, Queensgrove, N.W.8. ART IN RELIGION.

FOX GALLERIES. Exhibition of the paintings by British and European Artists from 1700-1965. 5-6, Cork Street, London, W.1. Tel: 01-734 2626. Weekdays 10-6. Sat. 10-1.

MALL ART GALLERIES, The Mall, S.W.1. Recent Paintings by ROBERT HILL and RICHARD WALKER. 10-1. Until April 22.

OMELL GALLERIES. Fine British and French MODERN PAINTINGS and *Modern British MARITIME PICTURES.* 40, Albemarle Street, Piccadilly, W.1.

RICHARD GREEN GALLERY, 44, Dover Street, W.1: 01-491 3277. BRITISH LANDSCAPE PAINTINGS. Daily 10.00-6.00. Sats. 10.00-12.30. Until April 29.

THE PARKER GALLERY, 2, Albemarle Street, Piccadilly, W.1. Exhibition of Old marine, military and sporting and topographical prints and paintings and ships models.

LEGAL NOTICES

No. 001068 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of GRETAIN ASSOCIATES LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 6th day of April 1978, presented to the said Court by NORTHERN STAR INSURANCE COMPANY LIMITED whose Registered Office is situate at Rothschild House, Whitgift Centre, Croydon CR9 1NP, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 8th day of May 1978, and *any creditor or contributory of the said* Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the under*signed to any creditor or contributory* of the said Company requiring such copy on payment of the regulated charge for the same.

COLLYER-BRISTOW,
4 Bedford Row,
London WC1R 4DF.
Ref: R/15. Tel: 01-242 7363.
Agents for:
MARSHALL LIDDLE & DOWNEY of Croydon.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 5th day of May 1978.

No. 001097 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of THE ANGLO-SAXON MARINE CONSTRUCTION COMPANY LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 7th day of April 1978, presented to the said Court by AMENCO (POOLE) LIMITED, whose registered office is situate at Leslie House, 244 High Street, Poole in the County of Dorset, and who are sheet metal workers, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 8th day of May 1978, and any creditor or contributory of the said Company desirous to support *or oppose the making of an Order* on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such *copy on payment of the regulated charge* for the same.

CHURCH ADAMS TATHAM & CO.
10/12 Ely Place,
London EC1N 6TY.
Ref: S/JMC/JMF. Tel: 01-242 0841.
Agents for: ALLIN & WATTS,
1 Richmond Hill, The Square,
Bournemouth BH2 6HB.
Ref: RDW/PS/F.
Tel: Bournemouth 21748.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their Solicitor (if any), and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 5th day of May 1978.

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WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Early fresh upsurge in record volume

BY OUR WALL STREET CORRESPONDENT

NEW YORK, April 17.

STOCK CONTINUED to rally sharply in extremely heavy trading on Wall Street this morning, with the Dow Jones Industrial Average surging back through the 800 level to record a fresh advance of 18.97 at 814.10 at 1 p.m.

The NYSE All Common Index moved ahead 97 cents further to $52.91, while gains outnumbered losses by nearly a four-to-one margin. Turnover reached 43.64m. shares, substantially above last Friday's heavy 1 p.m. volume of 34.30m. and well on the way to surpassing last Friday's record *total day's trade of 52.28m.* shares.

Closing prices and market reports were not available for this edition.

Analysts said part of the large hoard of cash that institutions had been accumulating was suddenly and simultaneously flowing back into equities.

Buying was encouraged by an improved fundamental picture, analysts added, citing indications that the Administration is beginning to concentrate on the inflation problem.

Texas Instruments advanced $4 to $74¼, while among other top quality issues, General Motors rose 1⅞ to $65⅝, Du Pont 2¾ to $112¾, NCR 2½ to $49½, and Burroughs 3 to $66¼.

Oils had Mobil up 2 at $64⅞, Standard Oil of Ohio 2¼ better at $64½ and Getty 4 higher at $167.

Among big Board actives, Merrill Lynch gained 1⅞ to $18⅝, Dow Chemical 1⅞ to $26¼, General Electric 2⅞ to $50⅞ and Georgia-Pacific 1⅞ to $28.

Republic Steel jumped 3⅞ to $24½.

THE AMERICAN SE Market Value Index strengthened 1.23 more to 135.92 at 1 p.m. on volume of 3.89m. shares (3.31m.).

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Scott Paper	1,335,900	[illegible]	[illegible]
Hercules Inc	458,000	15⅛	[illegible]
Intl. Tel Tel Co.	457,000	30⅛	[illegible]
Sears Roebuck	430,900	24½	[illegible]
Eastman Kodak	426,200	45⅞	[illegible]
General Motors	404,300	64¼	−1⅛
Digital Equipmt.	377,300	40¼	−1⅞
Citicorp	342,000	22⅜	−1⅛
J. Ray McDermott	335,180	25	−1⅞
Merrill Lynch	314,700	17⅞	−1⅞

OTHER MARKETS

Canada also strong

Canadian Stock Markets also strengthened noticeably in active early trading yesterday, the Toronto Composite Index rising 7.2 more to 1,091.8 at mid-day. Metals and Minerals added 10.9 at 910.9, Oils and Gas 8.4 at 1,486.5, Banks 2.72 at 258.66, and Utilities 1.33 at 167.29. Golds, however, contrasted sharply with a fall of 34.5 to 1,223.5.

PARIS—Widespread gains were recorded in relatively active trading, bolstered by Wall Street's *sharp advance last* Friday, the patching-up of differences between the two political groups forming the French ruling coalition, and also the Bank of France's report of higher industrial output in March. The profit-taking that was such a *feature of last week's trading* appears to have petered out, dealers added.

Foods, Constructions, Stores, Electricals and Chemicals provided the most substantial rises, with BSN, Bouygues, Printemps, Cit-Alcatel, DBA, Thomson Brandt, LMT and Rhone-Poulenc all ending notably higher.

BRUSSELS—Local issues made fresh headway in a good business.

Petrofina were 75 higher at B.Frs.4,275, while Vieille Montagne strengthened 40 to B.Frs.1,540, Union Miniere 16 to B.Frs.782, and CBR Cement 42 to B.Frs.1,400, but Solvay came back 15 to B.Frs.2,485.

AMSTERDAM—Mostly firmer after fairly active trading.

Royal Dutch were outstanding in Dutch Internationals with an advance of Fls.2.6 at Fls.131.0, while Hoogovens added Fls.0.9 at Fls.26.7.

Elsewhere, Burhmeister Tetterode gained Fls.1.9 and Heineken Fls.1.2. The Transportation sector remained generally weak, but KLM rose Fls.3.4 to Fls.134.2.

GERMANY — Market lacked buying interest and stocks closed generally easier.

Leading Banks, Electricals and Mechanicals had losses extending to DM3. Elsewhere, Conti-Gummi shed 80 pfennigs to DM76.70 despite a rise in operating profits for 1977. Bayerische Hypotheken und Wechselbank receded DM2 to DM285, failing to be helped by an 8.4 per cent. increase in 1977 operating profits.

Public Authority Bonds sustained further losses ranging to 35 pfennigs. The Regulating Authorities bought DM27.7m. nominal of paper. Mark Foreign Loans were also lower.

SWITZERLAND—Closed yesterday for a public holiday.

MILAN—Stock prices were in easier vein, chiefly due to technical operations on yesterday's Settlement Day. However, the market decline was moderated by late defence interventions in a number of Blue Chip issues.

Bastogi retreated 19.5 to L386 and Fiat 19 to L1,891, but Finsider put on 3.5 to L76.5 and Pirelli 15 to L2,013.

HONG KONG—Market lost further ground in quiet trading, with selling mainly in Blue Chips.

Hong Kong Bank receded 20 cents to $HK14.60, Jardine Matheson 10 cents to $HK12.70, Wheelock Marden 7.50 cents to $HK2.125, Swire Pacific 10 cents to $HK6.45 and Hutchison Whampoa 2.50 cents to $HK4.15, but Hong Kong Land were steady at $HK7.25.

Elsewhere, Hong Kong Wharf lost 20 cents to $HK17.10 and East Asia Navigation 5 cents to $HK4.05.

TOKYO—Market made further good progress on active buying with the Nikkei-Dow Jones Average rising 41.06 to a postwar record high of 5,544.61. Volume 380m. shares (430m.).

Blue Chips mostly advanced as investors drew encouragement from Press reports regarding New York's share price upsurge last Friday and also from the steady movement of the dollar on the Tokyo Foreign Exchange market yesterday.

The Finance Ministry announced early in the afternoon that Japan had a record current account surplus for a March month, but the news did not make any strong impact on the afternoon stock and foreign exchange markets.

Sony rose Y100 to Y1,900, Toyota *Motor Y39 to Y959* and Nissan Motor Y23 to Y827.

JOHANNESBURG—The Gold sector continued to decline following sharply lower Bullion indications.

Other Metals and Minerals were narrowly mixed in light trading, while Financial Minings also moved irregularly.

AUSTRALIA — Stock prices moved further ahead across a broad front, investors being heartened by Wall Street's marked rally towards the end of last week, while Mining issues also received a boost from firm commodity prices in London last Friday.

BHP advanced 12 cents more to $A6.40, *still drawing strength* from the increased dividend.

BNS Wales rose 10 cents to $A5.34 in strong Banks, while Myer added 4 cents at $A1.72 in Stores.

Among Minings, Pancontinental *put on 20 cents to $A10.70.* Renison Tin the same amount to $A6.40, and Hamersley 14 cents to $A2.10.

Indices

NEW YORK—DOW JONES

	Apr. 14	Apr. 13	Apr. 12	Apr. 11	Apr. 10	Apr. 7	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	795.13	775.21	766.29	770.19	775.65	769.58	817.74 (5/1)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	89.34	89.21	89.20	89.50	89.55	89.55	90.66 (4/1)	89.20 (12/4)	—	—
Transport.	215.77	208.58	207.44	207.78	208.80	208.02	215.77 (5/1)	199.31 (9/1)	279.88 (7/2/69)	13.25 (8/7/32)
Utilities	106.09	105.59	105.82	105.93	105.92	105.95	110.98 (5/1)	102.84 (23/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	52,280	51,580	26,210	24,500	25,740	25,160	—	—	—	—

* Basis of index changed from August 24.

Ind. div. yield %	Apr. 7	Mar. 31	Mar. 24	Year ago (approx.)
	6.06	6.16	6.16	4.61

STANDARD AND POORS

	Apr. 14	Apr. 13	Apr. 12	Apr. 11	Apr. 10	Apr. 7	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	102.33	100.03	99.06	99.27	99.54	99.17	105.22 (5/1)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	92.92	90.96	90.11	90.25	90.49	90.17	95.82 (3/1)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	April 12	Apr. 5	Mar. 29	Year ago (approx.)
Ind. div. yield %	5.36	5.39	5.46	4.21
Ind. P/E Ratio	8.56	8.48	8.48	10.41
Long Govt. Bond yield	8.34	8.32	8.25	7.68

N.Y.S.E. ALL COMMON

Apr. 14	Apr. 13	Apr. 12	Apr. 11	1978 High	1978 Low
51.94	50.91	50.45	50.47	51.94 (14/4)	48.37 (6/3)

Rises and Falls

	Apr. 14	Apr. 13	Apr. 12
Issues traded	1,913	1,866	1,850
Rises	1,232	1,041	735
Falls	356	401	636
Unchanged	325	424	479
New Highs	—	109	85
New Lows	—	14	22

MONTREAL

	Apr. 14	Apr. 13	Apr. 12	Apr. 11	1978 High	1978 Low
Industrial	180.21	178.88	179.29	178.42	180.21 (14/4)	162.90 (15.2)
Combined	186.54	186.10	186.55	185.28	186.54 (14/4)	170.62 (30 1)
TORONTO Composite	1084.6	1085.8	1079.4	1080.0	1084.6 (14/4)	998.2 (30.1)
JOHANNESBURG Gold	195.9	197.6	198.2	198.4	218.7 (1/2)	195.0 (21.3)
Industrials	209.0	208.8	206.6	205.8	214.4 (4/1)	194.9 (15/3)

	April 17	Previous	1978 High	1978 Low
Australia (*)	469.29	464.88	479.43 (5/1)	441.19 (1/3)
Belgium (‡)	99.61	98.57	99.51 (17/4)	90.43 (12/1)
Denmark (**)	94.96	95.25	98.15 (9/1)	94.00 (6.3)
France (††)	64.0	65.4	64.6 (7/4)	47.6 (3/3)
Germany (‡‡)	786.60	795.6	812.7 (10/2)	768.2 (4/1)
Holland (§§)	80.6	79.2	82.1 (10/2)	76.0 (4/4)
Hong Kong (¶¶)	434.29	456.96	451.67 (4/4)	383.44 (13.1)
Italy (‖)	59.44	69.61	65.06 (6/3)	55.45 (10/1)
Japan (a)	414.55	411.06	414.55 (17/4)	364.04 (4.1)
Singapore (b)	299.24	292.38	299.24 (17.4)	262.00 (1.6)
Spain (d)	—	94.65	96.30 (10.1)	87.36 (11.3)
Sweden (e)	371.65	365.57	372.20 (14.4)	330.14 (6/1)
Switzerl'd (f)	(c)	291.5	296.56 (1.4)	280.4 (10.3)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. Φ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. ‡ Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

Dollar improves

The U.S. dollar continued to improve in the foreign exchange market yesterday, while sterling partially recovered from the worst levels touched in early trading after support from the Bank of England.

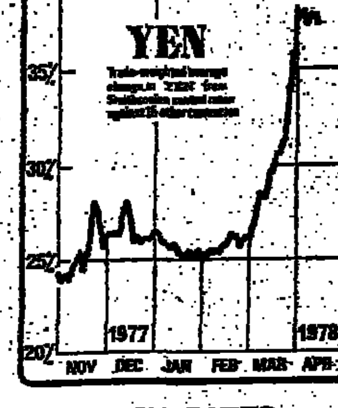
The pound opened at $1.8460-1.8470, the lowest point of the day, and touched $1.8520-1.8530 in the afternoon, following intervention by the authorities in the spot and short-dated forward markets. Trading was fairly thin and erratic however, with sterling closing at $1.8510-1.8520, a fall of 50 points on the day. Its trade-weighted index, as calculated by the Bank of England, was unchanged at 61.7, after standing at 61.7 at noon and 61.6 in early trading.

Forward sterling was very weak, with the three-month discount against the dollar widening to 0.65 cent from 0.17 cent, while the 12-month discount widened to 2.40 cent from 1.60 cent.

The Canadian dollar gained ground as a result of speculation about a possible sharp rise in Bank Rate. It finished at 87.01½ U.S. cents compared with 86.70½ on Friday.

There was good demand for the U.S. dollar from the outset, following earlier buying in Far East markets. Japan's announcement of a record trade surplus over the week-end failed to prevent the dollar rising against all major currencies, including the Japanese yen. It touched Y221.25, before closing at Y220.37½, compared with Y219.30 previously. The U.S. currency rose to DM2.0430 in terms of the D-mark from DM2.0325 on Friday, and improved to SwFrs.1.8862½ from SwFrs.1.8820 against the Swiss franc. The dollar's index, on Bank of England figures, rose to 89.2 from 88.9.

Gold fell $4 to $174-174½ on fears about possible sales of the metal by the U.S.



CURRENCY RATES

	Special Drawing Rights April 14	European Unit of Account April 14
Sterling	0.654648	0.675264
U.S. dollar	1.23558	1.25485
Canadian	1.42611	1.44447
Austria sch.	18.0827	18.3848
Belgian franc	39.1555	39.7563
Danish krone	6.91431	7.02710
Deutsche m'k	2.51132	2.55249
Dutch guilder	2.67997	2.72395
French franc	5.64722	5.74215
Italian lire	1065.86	1078.95
Japanese yen	271.086	276.155
Norway krone	6.61777	6.70878
Spain peseta	98.7286	100.306
Swedish krone	5.57131	5.75948
Swiss franc	2.33030	2.36909

EXCHANGE CROSS-RATES

EURO-CURRENCY INTEREST RATES

GOLD MARKET

FOREIGN EXCHANGES

FORWARD RATES

OVERSEAS SHARE INFORMATION

Inv. $ Prem. at $2.60 to £—116¼% (108¾%)
Effective rate (1.8815) 54% (48¼%)

NEW YORK

CANADA

GERMANY ◆

AMSTERDAM

COPENHAGEN ♣

VIENNA

TOKYO ¶

BRUSSELS/LUXEMBOURG

SWITZERLAND ◆

MILAN

AUSTRALIA

PARIS

STOCKHOLM

OSLO

BRAZIL

JOHANNESBURG

SPAIN ♥

FARMING AND RAW MATERIALS

No change in wool market levy

By Our Commodities Staff

[TH]E LEVY paid by sheep [far]mers to the British Wool [Mar]keting Board is to remain [un]changed at 14.55p a kilo of [wo]ol this year. The standstill [ref]lects the Government's recent [de]cision that the guaranteed [pr]ice for wool for 1978 should [sta]y at the 1977 level: 110 a [ki]lo.

[Ann]ouncing the new season's [pr]ice schedule, Mr. Walter Elliot, [chair]man of the Board, said the [Gov]ernment's freeze on the [gu]aranteed price was disappointin[g] in view of farmers' increased [co]sts.

Producers in the parts of the [co]untry worst affected by recent [sn]ow would feel "doubly disappointed" as many would have [le]ss wool and almost certainly of [po]orer quality to sell in the [co]ming season.

The Board estimates U.K. wool [pr]oduction this year could be [...] kilos less than in 1977. At [pr]esent prices this represents a [lo]ss to producers of £2m.

"Add to this the higher costs [of] shepherding, dipping, shearing [an]d rent, to mention some of the [ma]in items, and we felt that at [le]ast a modest increase in the [gu]arantee could have been justi[fie]d," Mr. Elliot commented.

Israeli farm exports rise

By Our Own Correspondent

TEL AVIV, April 17.

[A]GREXCO, an Israeli company [ha]ndling all exports of unpro[ce]ssed agricultural produce other [th]an citrus, reports that its sales [la]st month rose by 60 per cent. [ov]er March 1976 to reach $23m. [Th]e main increase was in ship[m]ents of cut flowers and [ve]getables.

The aggregate value of ship[m]ents of autumn and winter [pr]oduce (which started on [Oc]tober 1, 1977) was $95m.—a [ris]e of 42 per cent. on the same [pe]riod of 1976/77.

The company has now started [ex]porting spring and summer [cro]ps which should do well in [vi]ew of the hard winter and [sp]ring experienced in many [pa]rts of Europe.

Brooke Bond's new tea brand

[B]ROOKE BOND OXO yesterday [la]unched a new low-priced packet [te]a called Orange Label. It is a [lar]ge-leafed blend described as "quality family tea at a down-[to-]earth price" and is expected [to] retail for about 20p a quarter [po]und.

Smelter closures cause copper price rise

BY OUR COMMODITIES STAFF

COPPER LED a general rise in prices on the London Metal Exchange yesterday, with cash wirebars ending the day £7.75 higher at £701.5 a tonne. The main factor behind the rise in copper values was the announcement by the Kennecott Refining Corporation and Anaconda of plant closures from May 1.

The Kennecott closure, at the Baltimore plant, is scheduled to last about three-and-a-half months and Anaconda's, at its Montana smelter, about two months.

Lost production at the two smelters is expected to amount to about 80,000 tonnes, but the moves should not interrupt supplies to customers. London trade sources said the net result should simply be a reduction in the "burdensome" oversupply situation.

Stocks held in London Metal Exchange warehouses fell by 9,625 tonnes last week—nearly twice the forecast level—to 563,725 tonnes. This encouraged the rise in prices, which was also influenced by the weakness of sterling.

A continuing background factor in the copper market is the strike at the Southern Peru Copper Corporation's Ilo smelter which has led to rumours of an impending *force majeure* on shipments.

The weakness of sterling also encouraged the rise in tin prices which lifted cash standard metal by £25 to £5,965 a tonne yesterday. The advance was also partly due to a SM6 per picul prise in the Malaysian price over the week-end and a further 295 tonnes fall to 3,060 tonnes in LME stocks.

A further "bullish" factor quoted on the market yesterday was news that U.S. stockpile disposal legislation has been put aside until more pressing matters befor the Senate armed services sub-committee have been dealt with.

Fears of substantial U.S. stockpile sales have had a depressing effect on the world tin market in recent weeks, but it now appears that surplus U.S. stocks are unlikely to reach the world market before the final quarter of this year.

The International Tin Council's decision, announced after hours last Friday, not to increase the buffer stock operating range had been widely forecast and therefore had little effect on market sentiment.

But delegate sources at the meeting said the consumers appeared anxious to avoid confrontation with the producers and that an increase in the price range was virtually certain to be agreed at the next council meeting in July.

Lead and zinc prices moved higher in sympathy with copper but zinc was additionally boosted by news that the Electrolytic Zinc Company of Australia had raised its base price by $50 to $66 a tonne to U.K. and European markets with immediate effect.

The LME cash price rose £5 at one stage but after profit-taking during the afternoon closed only £1.5 higher at £300.5 a tonne. Cash lead closed £1.25 up at £314.5 a tonne.

The International Lead and Zinc Study Group's standing and statistical committee is meeting in London at the moment to make a special review of the crisis in the world zinc industry caused by over-production and depressed prices. Normally the group meets only once a year in Geneva.

Unctad pact talks begin

GENEVA, April 17.

REPRESENTATIVES OF leading copper exporting and importing countries began discussing the scope, structure and financial requirements of a planned inter-Governmental body of producers and consumers to monitor the copper market, reports Reuter.

The five-day meeting, convened as a working group by the U.N. Conference on Trade and Development (Unctad), has before it proposals for the projected new body submitted by Governments at earlier Unctad sessions.

One of the basic issues is whether the new grouping will be independent or part of Unctad. The meeting, attended by 45 countries, will also discuss its name and location.

An Unctad meeting of the world's leading copper mining and consuming countries decided last February to set up the inter-Governmental body as the first of two major stages in tackling the copper market's serious problems of over-supply and low prices.

U.K. sugar planting nears end

By Our Commodities Staff

PLANTING of the British sugar beet crop, delayed by bad weather recently, is gathering pace. The British Sugar Corporation said yesterday that if the present fine weather held out drilling might be completed by the end of the week.

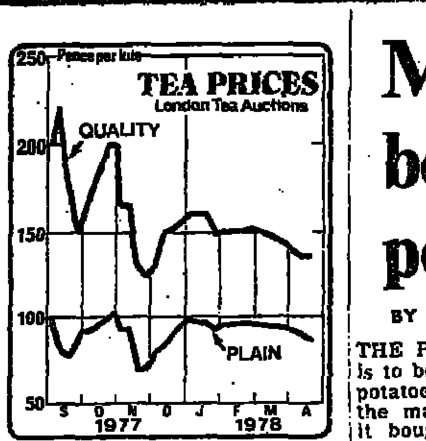
Just over 80 per cent. of drillings have been completed, compared with 93 per cent. at this time last year.

The Corporation commented that in spite of the snow and frosts last week there were no signs of any damage to those fields already planted. Seedbed conditions, helped by sunshine and drying winds, remain "good."

On the London futures market yesterday world prices for sugar fluctuated within a narrow range for most of the day before closing up to £1.60 a tonne lower—a fall attributed mainly to the early decline in New York.

During the morning most price movements appeared linked to ups and downs in the currency market. The London daily price for raws was unchanged at £102 a tonne.

● Mr. Peter Ware, managing director of a British starch and glucose manufacturing company whose request for price increases is being investigated by the Price Commission, says he wants to recover cost increases brought about by the U.K.'s transition to full membership of the EEC.



More interest at tea sales

DEMAND PICKED up again at the London tea auctions yesterday after the traumas of recent weeks brought about by the Prices Department's activities.

Prices were steady but buyers were still described as cautious and selective by market observers.

Average prices of quality and medium grade teas were unchanged at 135p and 124p a kilo respectively. Plain quality, however, lost 3p a kilo, falling to 85p.

SOYA MEETING

The foreign trade department of the Bank of Brazil (CACEX) will hold a further meeting of its soyabean subcommittee here on April 25 reports Reuter.

The meeting, described as "routine," will discuss crop prospects.

Market moves will boost dwindling potato supplies

BY CHRISTOPHER PARKES

THE POTATO Marketing Board is to boost dwindling supplies of potatoes by releasing back on to the market some of the stocks it bought from farmers earlier in the season.

Then a glut had caused a slump in prices, but wholesale rates for potatoes have risen sharply in the past few weeks as the season draws to an end and good quality tubers grow scarce.

Shop prices have also begun to climb. At the end of last month the Average wholesale price for potatoes in the U.K. was £48.22 a tonne. At the end of the first week in April the rate had risen to £56.81. Last Friday's check showed an average price of £59.57 a tonne.

The Board has contracted with growers to buy in more than 500,000 tonnes under the market support programme. These growers are now being offered an opportunity to opt out of their contracts.

For a nominal fee they can regain their full ownership rights over the potatoes and sell them on the open market.

However, the Board stressed that releases will be "very limited" and will be granted only where the potatoes are required by the trade for special purposes or in exceptional circumstances."

An official pointed out that the Board will be acting only as a "post office" for farmers. Requests from growers who want to dissolve their support buying contracts will have their applications scanned in the Ministry of Agriculture.

Great care is clearly being taken not to upset the present balance of the market which is providing farmers with their best returns so far this season. The Ministry is also keen that retail prices should not climb too high.

The Potato Marketing Board also reports that farmers who have offered their potatoes for support buying have been withdrawing their offers in recent weeks.

In the week ending March 31, producers withdrew offers totalling 19,000 tonnes. A week later withdrawals were 23,000 tonnes, and last week the figure soared to 43,000 tonnes.

And in spite of farmers' doubts about how their crops will be marketed next year and about the future of the Board itself, plantings of potatoes so far this spring are running at a fairly high level.

PAPUA, NEW GUINEA

New role for commodity support fund

BY COLLEEN RYAN

PAPUA NEW GUINEA'S commodity stablisation funds, whose levels have soared over the past 18 months to reach £60m., have recently undergone a major change in emphasis.

The basic concept of levy collections and bounty payments for the coffee, cocoa and, to a lesser extent, copra funds has changed from one of income support to price stabilisation.

As a result, stabilisation levies on coffee and cocoa exports have been reduced and for the first time since the funds were introduced, a firm policy for the payment of future bounties has been established.

Coffee and cocoa accounted for 36 per cent. of total export receipts in 1977—hence the need for a firm policy for the stabilisation funds. Added to this is the sheer magnitude of the funds themselves, which now account for 22 per cent. of total bank deposits included in the money supply.

The decision to alter the basic concept from income support to price stabilisation arose from a belief that the industries, and the economy, could be more effectively insulated from fluctuations in world prices if levy and bounty payments were based on a long-term moving average price, rather than the considerably lower cost of production price equivalent.

In the case of the cocoa industry, growers will be paid a bounty when the prevailing export price falls below the ten-year moving average of past cocoa prices, all expressed in present values. Bounties paid will be equal to 50 per cent. of the difference between the prevailing export price and the ten-year moving average price.

In reverse, levies are collected when export prices are above the ten-year moving average. The levies, like bounties, are roughly equal to 50 per cent. of the difference between the two prices.

The cocoa fund presently amounts to about Kina35m. (£26m.). Assuming World Bank projected prices for cocoa, it will be 1981 before the first bounties are paid from the fund.

In the case of coffee, a similar system of levy collection and bounty payment has been established. However, the coffee fund is complicated by the need to set a certain amount aside to finance stockpiling when, and if, quotas are introduced by the International Coffee Organisation.

The Coffee Industry Board has declared that no bounty can be paid from the fund until after K65m. has been set aside for future stockpiling. The fund is now K47m., but is expected to reach K65m. by the end of this year.

Under World Bank projected prices, bounties will not be paid from the coffee stabilisation fund until 1983 and the projected balance in the fund at that time will be K102m., expressed in 1977 prices.

The country also has a copra industry stabilisation fund which has undergone a similar change in concept from income support to price stabilisation. In the ailing copra industry, however, the cost of production is lower than the long term average price.

As part of a move to expand its network of stabilisation funds the Department of Primary Industry is also considering the possibility of establishing stabilisation funds in the oil palm and rubber industries.

EEC beef stockpile shrinking

BY OUR COMMODITIES STAFF

THE COMMON MARKET's beef "mountain" is shrinking rapidly. Although abattoirs have sold almost 37,000 tonnes of meat into the official intervention stockpile since the turn of the year, traders have bought out more than 56,000 tonnes for sale inside the Community and on export markets.

But there are still 337,000 tonnes of beef held in cold store around the Nine, and the stocks in Ireland and West Germany are embarrassingly high. The Federal Republic, for example, holds 117,000 tonnes, and Ireland 85,000 tonnes.

Irish intervention stores have taken in 17,000 tonnes so far this year and sold 10,000 tonnes of their holding.

Although selling out of intervention in the Community has generally exceeded buying-in in the past three months, in Britain public purchases of almost 6,000 tonnes exceed the amount of beef sold out of the "mountain" by 4,000 tonnes.

Still, Britain's share of the overall beef surplus remains a modest 15,000 tonnes.

So far this year, intervention buying of butter off the British market has been running at unusually high levels. However, intake into the official cold stores does not appear to tally with Milk Marketing Board claims that "every drop" of butter being made is going to support buying.

Sales into the Community surplus stores in Britain have been running at about double last year's level. In the first quarter of the year almost 6,000 tonnes of British butter were taken into store, compared with 2,554 tonnes in the same part of 1977.

But at the same time almost 6,000 tonnes have been sold out of store. Intervention Board officials say that this appears to have been eaten in Britain rather than exported—an odd phenomenon considering the present over-supply in the U.K. butter market.

Total U.K. stock of butter in intervention is 6,562 tonnes. The amount of skimmed milk powder in store at the end of March was almost 58,000 tonnes.

[C]OMMODITY MARKET REPORTS AND PRICES

BASE METALS

[CO]PPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	700.5-1.25	+6.5	701-2	+7.75
3 months	716.5-7	+7	717.5-8	+9
Settlem't	701.5	+6.5	[illegible]	[illegible]
Cathodes				
Cash	[illegible]	[illegible]	[illegible]	[illegible]
3 months	705.5-7	+6.25	707.5-8	+8.5
Settlem't	692	+5.5	—	......
U.S. Smt.	—	......	64	......

COPPER—Higher on the London Metal Exchange supported by production cutbacks in the U.S. and rumours of a forthcoming force majeure declaration by Peru. Warehouse stocks declined more than expected and this helped forward metal to climb from £717 to £722 before hedging emerged to depress the price to £715. In the afternoon Comex advanced and London moved up to a close on the Kerb of £721. Turnover, 22,325 tonnes.

Amalgamated Metal Trading reported that in the morning three months wirebars traded at £718, 17, 18, 17.5, 17, 16.5, 16, 16.5, 17, 16.5. Cathodes, three months £707. Kerb: Wirebars, three months £717, 16.5, 16, 15.5, 16. Afternoon: Wirebars, three months £715, 14.5, 15, 15.5, 16, 16.5, 17, 17.5, 18, 18.5, 17.5. Kerb: Wirebars, three months [illegible]

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6015-25	+9.25	5960-70	+25
3 months	6000-10	+85	5935-55	+5
Settlem't	6025	+95	—	......
Standard				
Cash	6015-25	+8.25	5960-70	+25
3 months	6000-10	+85	5935-55	+5
Settlem't	6025	+95	—	......
Straits E.	‡1526	+6	—	......
New York	—	......	—	......

TIN—Steady with forward metal marked up to £6,000-£6,010 after a small advance in the East over the week-end and on the fall of sterling and the initial rise of copper. But there was a lack of followthrough and hedge selling emerged. The backwardation widened with the emergence of a technical position on nearby dates which led to protective borrowing. In the afternoon the price edged lower to close on the Kerb at £5,960. Turnover, 2,610 tonnes. Morning: Standard, cash [illegible] three months £6,000, £5,995, £5,990. Afternoon: Standard, three months £5,970, 60, 50, 55, 50, 45. Kerb: Standard, three months £5,965, 60.

LEAD—Slightly higher helped by the performance of the copper market with some covering against the fall of the pound. Forward metal started at £321 and reached a high of the day of £323 before fading slightly to close on the Kerb at £320.5 after trading through the day in a relatively narrow range. Turnover, 6,850 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	316-.25	+1.5	314-5	+1.25
3 months	321-.5	+1.5	320.25-.5	-2.12
Sett'm'nt	316.25	+1.5	—	......
U.S. Spot	—	......	36	......

Morning: Cash £315.5, 16; three months £321, 21.5, 21, 20.5, 21, 20, 21, 20, 20.5, 21. Kerb: Three months £321, 21.5, 21. Afternoon: Cash £315.5: three months £321, 20.5, 20. Kerb: Three months £321, 20.5, 20.

ZINC—Gained some ground, influenced by the rise in the producer price of Electrolytic Zinc of Australasia and the movements in copper and lead. Forward metal rose from £307-£310 to £313 but later profit-taking eroded the price to £307.5 before a close on the Kerb of £306.5. Turnover 4,400 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£		£	
Cash	303.5-4.5	+3.5	300-1	+1.5
3 months	310-1	+4.25	307.5-8	+2.75
S'ment	304.5	+3.5	—	......
Prim. West	—	......	29	......

Morning: Three months £310.5, 11, 11.5, 12, 11.5, 11. Kerb: Three months £310, 9, 9.5. Afternoon: Cash £300, three months £309, 8, 7, 7.5, 8. Kerb: Three months £309, 9.5.

* Cents per pound. † On previous unofficial close. ‡ $M per picul.

SILVER

Silver was fixed 3.0p an ounce lower for spot delivery in the London bullion market yesterday at 277.9p. U.S. cent equivalents of the fixing levels were: spot 514.1c, down 7.8c; three-month 522.3c, down 8.3c; six-month 532.0c, down 8.3c; and 12-month 554.4c, down 9.4c. The metal opened at 278.4-279.4p (515-516½c) and eased to 277.7-278.7p (513-514½c) at the close.

COMPANY NOTICE

ELECTRICITY SUPPLY COMMISSION—ESCOM

1971/1986 8¼% UA 20,000,000

Notice is hereby given to bondholders of the above loan that the amount redeemable on June 11, 1978, i.e. UA 1,330,000, was bought in the market.

Amount outstanding: UA 10,690,000.

Luxembourg, April 18, 1978.

The Trustee,
FINIMTRUST S.A.

EUROPEAN OPTIONS EXCHANGE

[illegible]

COFFEE

Despite weaker sterling, London opened slightly lower in thin volume, reports Drexel Burnham Lambert. The afternoon was sadly lacking in interest and in the smallest volume for some weeks prices tended to harden fractionally. Values at the close were £7.5 down to £26.5 up [illegible]

[illegible]

PRICE CHANGES

Prices per tonne unless otherwise stated.

[illegible]

Vietnam to spend more on farming

WASHINGTON, April 17.

THE U.S. Agriculture Department said that Vietnam plans to increase spending this year in an effort to rebuild the country's agriculture which suffered during the war, reports Reuter.

In its Foreign Agriculture magazine, the Department said the country plans to produce 21m. tonnes of grain by 1980 and 1m. tonnes of meat products.

By 1980 sugar production is planned to reach 220,000 to 225,000 tonnes.

The target for rice production, the most important crop in Vietnam, is 13.5m. tonnes (paddy) this year compared with 11.3m. tonnes produced in 1977, which was 2m. tonnes below planned output.

As a result of the rice shortage the Vietnamese Government has been promoting the cultivation of subsidiary crops—manioc, potatoes, maize, beans, sorghum and sweet potatoes.

Output of these crops is expected to be 3m. tonnes this year compared with 1.8m. in 1977.

The Department said the Government plans to increase soyabean plantings to about 84,000 hectares this year, about 2½ times the 1977 area.

Output target for coffee, which is primarily grown for export, is 10,000 tonnes this year, but the USDA Department's Foreign Agriculture Service has estimated coffee output at only 3,600 tonnes for both the 1976-77 and 1977-78 growing season.

Vietnam is projecting sugar output at 160,000 tonnes this year, but again the Foreign Agriculture Service has placed production much lower at only 40,000 tonnes.

Oilseed group to be formed in Africa

NAIROBI, April 17.

THE African Oilseed Producers' Organisation (AOPO), which was backed by representatives of 19 African countries at a four-day meeting in Lagos last week, will work to co-ordinate prices and production levels, according to Mr. George Mwicigi, Kenya's assistant Minister for Agriculture, reports Reuter.

He said the Governments of the countries concerned will have to give their official blessing before the organisation can be formally established, but only the signature of eight countries is required and this is almost certain.

Mr. Mwicigi said there have been no decisions yet on whether to establish a special export group or export quotas. All oilseed-producing members of the Organisation of African Unity are eligible to join AOPO.

Brazil may see early soya crop

RIO DE JANEIRO, April 17.

TRADERS said that given continuing dry weather, Brazil's soyabean harvest could be virtually over by the end of this month, which is about two weeks earlier than usual, reports Reuter. Porto Alegre traders noted that farmers were making rapid progress in the Rio Grande Do Sul harvest which is now more than 60 per cent. complete.

In Parana, the harvest is around 85 per cent. over in the State as a whole, with the northern part finished.

STOCK EXCHANGE REPORT

Markets steadier after initial bout of nervousness

Index 0.7 off at 446.7, after 442.7—Rally in Gilts

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Apr. 3	Apr. 13	Apr. 14	Apr. 25
Apr. 17	Apr. 27	Apr. 28	May 10
May 2	May 11	May 12	May 23

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

The first day of a new Account in stock markets ended on a much steadier note. British Funds, which had lead the downward slide since the Budget, shook off an early bout of nervousness stemming from last Friday's poor trade figures for March and week-end Press talk of a further hike in short-term interest rates. After showing initial losses extending to ½, prices gradually recovered to close with gains ranging to ¾. The Government Securities index, up 0.23 at 71.73, recorded its first rise for seven trading days. Weakness in sterling on foreign exchange markets contributed towards the uneasy conditions at yesterday's start.

Equities again took their cue from the Funds and, after an early mark down of a few pence or so, leading issues gradually rallied on bear closing. Final quotations were only a shade off on balance. Down 4.7 at its lowest of the day at 10 a.m., the FT 30 share index picked up to close at 446.7 for a net fall of 0.7.

Secondary issues failed to show a decided trend, but rises just had the edge over falls in FT-quoted Industrials. Overseas issues provided some noteworthy gains in sympathy with the strength of the dollar premium, while week-end Press mention and the occasional burst of bid speculation helped enliven an otherwise rather quiet day. Official markings amounted to 4,482.

A sharp setback in the price of bullion prompted a sympathetic reaction in Gold shares. Some fairly substantial falls were reflected in a further loss of 4.7 to 142.3 in the Gold Mines index.

Gilts better

British Funds took a modest turn for the better after an uneasy start to trading yesterday. Sentiment at the opening was disturbed by week-end Press comment on the poor March trade figures, while yesterday's further setback in sterling revived talk of a fresh increase in minimum lending rate in the near future. However, after being lowered by around ½ a point initially, long-dated stocks encountered a good demand at the lower levels and prices gradually pushed ahead to finish the day with gains of ¾ on balance. Short-dated issues *followed a similar trend*, earlier losses ranging to ¼ and sometimes more being replaced by similar net rises at the close. The recovery in the shorts was largely technical.

Following Wall Street's burst of strength on Friday and yesterday's renewed weakness in sterling, institutional buying of investment currency increased yesterday. The demand impinged on an already short market and the premium was pushed higher throughout the session. After opening at 109¾ per cent., and rising to 114¾ per cent. in the afternoon, the premium was finally a full 8 points up on Friday's close at the day's best of 116¼ per cent. The final upthrust reflected yesterday's early further rise on Wall Street. The conversion factor was 0.6558 (0.6742).

London United Investments highlighted Insurances with a gain of 8 to 148p in response to the doubled annual profits and proposed 300 per cent. scrip-issue. Elsewhere, Hogg Robinson, at 155p, recorded a Press-inspired improvement of 3 and Sedgwick Forbes gained 10 to 375p. Hambro Life edged forward 2½ more to 290p xd on further consideration of the preliminary results. Wall Street influences prompted respective rises of 1¾ and 2¾ points in Combined Insurance of America, £15½, and Travelers Corporation, £27½.

Awaiting their decisions, expected this week, on base lending rates and, in front of to-day's Price Commission report on bank charges, the major clearing Banks moved narrowly in thin trading. NatWest edged forward 3 to 270p, but the other three closed unchanged at last Fridays closing levels. Foreign Banks moved higher throughout the list on investment currency and domestic market advices. Bank of New South Wales, 495p, and Commercial Bank of Australia, 220p, rose 20 and 13 respectively, while Algemene rose 3½ points to £132¼, Deutsche Bank gained 3½ points to £123 and Wells Fargo added 1½ to £22¾. Brown Shipley were unaltered at 208p following the decision to increase its base lending rate 1 per cent. to 7½ per cent.

Breweries eased slightly in a small trade. Allied, 82½p, and A. Guinness, 170p, gave up a penny apiece. Elsewhere, Amalgamated Distilled Products revived with a rise of 3 to 38p.

News items provided interest in an otherwise thinly traded Building sector. Following the annual results, Rugby Portland Cement held at 70p, but on the enfranchisement proposal the Participating Ordinary shares improved a penny to 50p. Newarthill firmed 2 to 160p in response to profits in line with market expectations and Hoveringham were outstanding following sharply increased profits: the latter's Ordinary closed 3 higher at 75p and the Restricted Voting shares a similar amount dearer at 67p. Stanley Miller continued to reflect last week's good trading news and optimistic statement to close 3 better at 14p, while aggressive buying lifted Heywood Williams 7½ to 88½p. French Kier recovered 1½ to 27½p after the announcement that contracts worth some £4m. was made known.

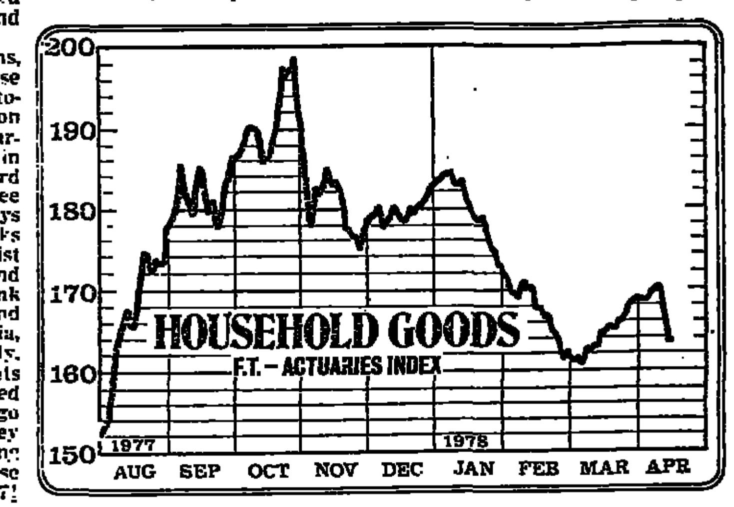
After easing to 328p, ICI rallied to close 2 better on balance at 332p, while Fisons, helped by Press comment, improved 6 to 333p. Revertex touched 88p in front of the annual results but slipped back following the announcement to close marginally up at 87p. Albright and Wilson firmed 2 to 109p and Crystalate 1½ more to 27p, but Wolstenholme Bronze and William Ransom shed 5 to 175p and 170p respectively.

Leading Stores began the new Account on a brighter note. Prices generally moved higher in thin trading and Gussies "A" and Mothercare both closed 4 to the good at 272p and 154p respectively. W. H. Smith "A" hardened 2 to 142p and Woolworth edged forward a penny to 66p. Debenhams, however, softened a penny to 97p in reaction to adverse comment. Elsewhere, secondary issues plotted an irregular course. Standing around 4 easier in front of the annual results, Currys rallied and touched 180p on satisfaction with the outcome before closing unchanged on the day at 179p. MFI gained 2 to 72p following Press comment but Home Charm eased that much to 118p in front of to-day's preliminary figures.

Reflecting dollar premium influences, Sony rose 20 further to 695p and Philips' Lamp 35 to 965p. Other Electricals were quietly firm with EMI closing 2 up at 150p and GEC 3 better at 238p.

The Engineering majors displayed no set trend after a thin trade. Hawker improved 4 to 190p in anticipation of to-day's preliminary results but Vickers gave up 3 to 176p, after 175p. Elsewhere, Peter Brotherhood continued to attract buyers on bid hopes and rose 4 afresh to 160p: the first-half results are due *to-day*. Blackwood Hodge jumped 9 to 86p in response to the good results, proposed 50 per cent. scrip-issue and property revaluation, while Weston-Evans, a recent firm counter in a thin market, moved forward 2 more to 91p following news that Barrow Hepburn had sold its entire 25.9 per cent. shareholding at a price of 100p per share; BH improved 3 to 34p. Acrow shed 4 to 104p as did Wolf Electric Tools, to 138p.

J. Bibby continued firmly in Foods, rising 6 to 219p for a *two-day gain of 16 on the optimism* expressed in the annual report. Pork Farms were supported at 450p, up 5, while currency influences lifted Kraft 2¼ points to £36¼. Robertson Foods, however, eased 3 to 134p following adverse Press comment. Other dull spots included Batleys of Yorkshire, 2 off at 48p, and Joseph Stocks, 5 cheaper at 145p. In Supermarkets, Press comment created fair amount of interest in Lennons which closed another 2 harder at 40p. Kwik Save, at 76p, gave up 2 of Friday's rise of 3 which followed the interim statement.



Miscellaneous Industrial leaders gave ground for the fourth consecutive trading day. Week-end Press comment on the Budget and on Friday's disappointing March trade returns made for a dull and nervous start to the account. Bear closing helped some prices pick up late but losses still ranged to 8. Metal Box were that much lower at 292p, while Pilkington gave up 5 to 460p and Unilever 2 to 492p. Beecham touched 618p but finished only a net 2 cheaper at 623p. Elsewhere, Johnson Group Cleaners encountered fresh speculative demand fuelled by bid hopes and rose 5 to 101p, after 102p. Reflecting the reduced loss for last year and the chairman's declaration that the group has *returned to profitability* during the first-quarter of the current year, Change Wares added 2 to 22p with the Convertible Preference 1½ dearer at 20½p. Ahead of to-morrow's preliminary results, Bestobell gained 2 to 150p, while Reed Executive hardened a penny to 48p in response to the sharply higher preliminary profits. Foreign stocks were notable for good gains in sympathy with strength in the investment currency premium and in their own domestic markets. Australian giant Broken Hill Proprietary jumped 35 to 600p, while Schlumberger advanced 4⅝ points to £56¼. Dover Corporation added 2¼ to £33¾ and Emhart Corporation improved 2½ to £27½. Comment on the Hilleshog bid situation lifted Miln Marsters 5 to 203p, after 204p. Letraset, after recent strength on bid hopes, encountered profit-taking and relinquished 2 to 160p.

Motors and Distributors rarely strayed far from Friday's closing levels. Bluemel Bros. hardened 2 to 68p, while similar rises were seen in Lucas Industries, 274p, and Turner Manufacturing, 103p. Volvo finished marginally better at £14 following publication of the company's reorganisation plans, while Lyon and Lyon edged forward 2½ to 76p ex dividend in front of the annual report.

Among quietly firm Paper/Printings, Mills and Allen rose 8 to 165p following a resurgence of speculative interest and Ogilvy and Mather, on investment currency influences, rose 2½ to £39½.

Initially easier on renewed interest rate uncertainties, Property shares picked up to close firmer for choice. Land Securities, 191p, and MEPC, 106p, both closed a penny firmer on balance, while English Property improved marginally to 28p after 27p.

BP advance

Leading Oils benefited from Friday's advance on Wall Street, and in good two-way trade British Petroleum rose 14 to 758p and Shell 7 to 515p. Siebens U.K. attracted further interest and added 24 to 300p for a two-day rise of 36 following press comment on future prospects and the company's North Sea farm-out deal. Tricentrol firmed 4 to 158p, also on a press mention. Burmah put on 3 to 46p ahead of results due on Wednesday. Weeks Natural Resources again reflected a firm Australian market and rose 7 to 142p, while Royal Dutch closed 2 points better at £49 on investment dollar premium influences.

Press comment fuelled fresh demand for United City Merchants which hardened 2 to 62p for a two-day gain of 6.

Investment Trusts contributed some good gains with foreign and overseas-orientated companies well to the fore. City and Foreign rose 8¼ to 66p, while Argo Investment improved 7 to 128p and Edinburgh American Investment 10 to 109p. Montagu Boston were wanted, the Ordinary rising 5 to 59½p and the Warrants 4 to 38p. Second Alliance Trust closed 5 better at 176p as did Alliance Trust, at 207p, while Atlantic Assets advanced 4½ to 84p.

After easing to 89p following adverse Press mention, P & O Deferred rallied to close unchanged at 91p. Other Shippings had an easier bias.

Textiles were noteworthy for a rise of 2½ to a 1978 peak of 44½p in British Mohair.

Abercome Investments, at 100p, gave up 10 of the recent rise which followed Cape support. Other South African Industrials moved higher with Hulett's closing 7 better at 125p and Greatermans A 10 to the good at 120p.

London Sumatra continued firmly in Plantations, rising 4 to 137p for a two-day gain of 17 on hopes that a new bidder may emerge following the withdrawal of McLeod-Sipef.

Australians buoyant

The continuing strength of Australians was again a feature of mining markets. Prices moved ahead across a broad front as a further rise in overnight domestic markets was followed by a good London demand which was accompanied by a sharp improvement in the investment currency premium.

Remarks by Mr. Douglas Anthony, Australia's Deputy Prime Minister, that he hopes work on the Ranger uranium mine will start in the next dry season prompted a demand for the partners in the venture, with Peko-Wallsend 23 higher at a 1978 high of 470p and EZ Industries 5 better at 210p. Pancontinental rose ⅜ more to £10.

Among Coals, Thiess Holdings stood out with a 14 improvement at 196p, while Utah Mining Australia gained another 5 at 315p and Oakbridge 3 to a 1978 high of 156p.

Base-metal miners to register strong rises included Bougainville, 5 up at 107p and MIM Holdings, 9 firmer at a high of 187p. A measure of the strength of the Australian market was the fact that BH South hardened 2 to a high of 78p despite the announcement, over the week-end, of an increased loss for the half-year.

Of the more speculative issues Tasminex continued to attract support and closed 5 to the good at 95p while Ocean Resources put on 3 to 21p.

On the other hand South African Golds put on a poor performance in line with the bullion price which dropped $4 to $174.375 per ounce in the wake of the improvement in the dollar.

Shares opened sharply lower and thereafter drifted on Cape selling until modest U.S. support in the after hours business was reported.

The Gold Mines index gave up 4.7 more to 142.3—a fall of 10.0 over the past four trading days. Against the general trend, however, Deelkraal hardened ¼ to 73½p following the announcement of the terms of the proposed rights issue.

Otherwise heavyweight issues fell by up to a half-point as in Hartebeest, £10½, while lower priced issues showed Harmony 26 down at 300p in front of the reduced quarterly profits.

Among Financials, news that Exxon has been considering closer links with RTZ, shares of the latter rose 6 to 196p.

Selection Trust hardened 2 to 404p in front of Thursday's results, while De Beers, with the annual report due for publication on the following day, improved 8 to 333p on a strong Cape and U.S. demand.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	64	—	18
Corpns., Dom. and Foreign Bonds	6	21	39
Industrials	397	342	813
Financial and Prop.	199	47	276
Oils	19	2	13
Plantation	9	5	28
Mines	53	39	30
Recent Issues	3	5	9
Totals	750	461	1,210

FINANCIAL TIMES STOCK INDICES

—	Apr. 17	Apr. 14	Apr. 13	Apr. 12	Apr. 11	Apr. 10	A year ago
Government Secs.	71.73	71.50	71.53	72.75	73.60	73.92	68.05
Fixed Interest	74.84	75.13	75.31	76.49	77.03	77.25	69.01
Industrial Ordinary	446.7	447.4	452.9	460.2	470.4	463.3	409.1
Gold Mines	142.3	147.0	150.9	151.4	152.3	150.7	121.1
Ord. Div. Yield	6.02	6.01	5.95	5.87	5.75	5.89	5.57
Earnings Y'ld%(full)(*)	17.69	17.69	17.38	17.14	16.80	15.99	17.03
P/E Ratio (net)(*†)	7.80	7.80	7.94	8.05	8.21	8.12	8.51
Dealings marked	4,482	4,950	5,820	5,180	4,244	4,662	5,592
Equity turnover £m.	—	71.43	80.47	78.71	42.10	48.19	48.82
Equity bargains total	—	14,466	14,785	14,425	10,518	11,102	15,807

10 a.m. 442.7. 11 a.m. 444.3. Noon 444.9. 1 p.m. 445.8. 2 p.m. 446.0. 3 p.m. 446.4.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=7.75.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	71.50 (14/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	74.84 (17/4)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (8/3)	130.3 (6/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Apr. 17	Apr. 14
—Daily		
Gilt-Edged	155.9	177.9
Industries	156.7	170.8
Speculative	38.8	38.9
Totals	102.0	112.9
5-day Av'rage		
Gilt-Edged	179.8	185.3
Industrials	170.2	140.9
Speculative	32.5	31.7
Total	112.2	115.1

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
ICI	£1	15	332	+2	365	328
Shell Transport	25p	11	515	+7	533	484
Barclays Bank	£1	10	336	—	350	292
BP	£1	10	758	+14	864	720
Commercial Union	25p	9	142	+2	156	135
GEC	25p	9	236	+3	278	232
Beecham	25p	8	623	−2	678	580
Grand Met.	50p	8	102	+1½	109	87
Utd. City Merch'ts	10p	8	62	+2	62	47
Pauls & Whites	25p	7	121	—	133	100
Thorn Elect.	25p	7	330	—	392	330
Unilever	25p	7	492xd	−2	548	476
Boots	25p	6	200	−1	231	184
Courtaulds	25p	6	109	—	125	100
Marks & Spencer	25p	6	141	—	160	136

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Apr. 11	Apr. 24	July 6	July 18
Apr. 25	May 9	July 20	Aug. 1
May 10	May 22	Aug. 3	Aug. 17

For rate indications see end of Share Information Service

Stocks favoured for the call included Burmah Oil, Sheepbridge, Orme Developments, Premier Consolidated Oil, Cons. Gold Fields, Capper-Neill, J. Brown, Lonrho, William [illegible] Bryant, Mills and Allen, [illegible] Durrant, Queens Moat, [illegible] Property, L. and J. [illegible] Bridgend, Suits, French [illegible] Britannia Arrow, Tricentrol [illegible] Consolidated Plantations Warrants, Camford Engineering [illegible] Blackwood Hodge. Puts [illegible] taken out in J. B. Eastwood [illegible] Charterhouse, while [illegible] were arranged in St. [illegible] Aquis Securities and [illegible] Hunter.

Army rescues sailing ship

THE SAILING SHIP Sir Winston Churchill, with a crew of 40 teenagers, was towed from a mud bank off Cowes after a gale wrenched her from her anchorage in the Solent.

Two lifeboats stood by while the Army landing craft Audemer pulled the 300-ton ship, owned by the Sail Training Association, back to deeper water.

Perkins workers to be laid off

TWELVE HUNDRED workers [illegible] Perkins of Peterborough, [illegible] diesel engine manufacturers [illegible] to be laid off for four days [illegible] month because of a fall in [illegible]

Mr. Mike Hoffman, chairman [illegible] announced the lay-offs yesterday [illegible] as 7,000 production workers [illegible] threatening to halt production from Friday with a sit-in [illegible] a pay claim.

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (199)

LOANS (1)
AMERICANS (59)
CANADIANS (18)
BANKS (11)
BUILDINGS (5)
CHEMICALS (4)
DRAPERY & STORES (2)
ELECTRICALS (2)
ENGINEERING (4)
FOODS (2)
HOTELS (2)
INDUSTRIALS (17)
INSURANCE (4)
MOTORS (2)
PAPER & PRINTING (2)
PROPERTY (2)
SOUTH AFRICANS (4)
TEXTILES (4)
TRUSTS (23)
OILS (7)
OVERSEAS TRADERS (5)
RUBBERS (4)
MINES (15)

NEW LOWS (78)

CORPORATION LOANS (7)
Birmingham 9¼pc '79-81; LCC 5½pc '85-87; Do. 6¾pc '88-90; GLC 12½pc 1982; Do. 3pc '20 aft.; L'pool 9¼pc '80-84; Lon. Cpn. 9¼pc '84-85

LOANS (4)
Alcan 10½pc '89-94; ICFC 7¼pc A Db. '91-94; Met. Wtr. 3pc B; Do. 9pc A '91-94

FOREIGN BONDS (1)
Turin 9% 1991

BANKS (2)
Lloyds & Scottish; Grindlays

BUILDINGS (1)
Phoenix Timber

CHEMICALS (5)
Carless Capel; Croda Int.; Coates Bros.; Laporte Inds.; Do. A' N.V.

CINEMAS (1)
Anglia TV

DRAPERY & STORES (1)
Owen Owen

ELECTRICALS (2)
A.B. Electronic; Ever Ready

ENGINEERING (5)
Acrow; Sykes (H.); Capper-Neill; Tube Invests.; GKN

FOODS (2)
Batleys of Yorkshire; Stocks (J.)

INDUSTRIALS (14)
Anglo-Am. Asphalt; Lep Grp.; Boot (H.); Metal Closures; Brittains; Petrocon; Dunbee-C'bex-Marx; Scotcros; Duple Intl.; Sparrow (G. W.); French (T.); Stag Furniture; Lawtex; Storkiake

INSURANCE (1)
Brentnall Beard

MOTORS (1)
C.G.S.B.

NEWSPAPERS (1)
Marshall Cavendish

PAPER (2)
D.R.G.; Usher-Walker

PROPERTY (7)
Centrovincial Cap.; McInerney; City Offices; Regional Props. A; Hammerson A.; Samuel Props.; Lynton Hldgs.

SHIPBUILDERS (1)
Yarrow

SHIPPING (2)
Furness Withy; Ocean Transport

SHOES (1)
Stylo

TEXTILES (4)
Brigray; S.E.E.T.; Hicking Pentecost; Spencer (G.)

TRUSTS (4)
Erskine House; Scot. & Merc. A; Martin (R. P.); S.E. £4¼pc Ann.

TEAS (1)
Lunuva

MINES (8)
Durban Deep; F. S. Saaiplaas; Doornfontein; Harmony; Stilfontein; Loraine; Venterspost; Tanjong

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p:	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
105	F.P.	26.4	127	118	Saga Holidays	127	+1	8.75	2.2	8.1	8.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p:	+ or −
50	Nil	[illegible]	[illegible]	[illegible]	Bullough	[illegible]	[illegible]
108	Nil	[illegible]	[illegible]	[illegible]	London & Manchester Assurance	[illegible]	[illegible]
62	F.P.	[illegible]	[illegible]	[illegible]	Watmoughs	[illegible]	[illegible]

[illegible]

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Groups & Sub-sections	Mon., April 17, 1978: Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net.) Corp. Tax 52%	Fri. Apr. 14 Index No.	Thurs. Apr. 13 Index No.	Wed. Apr. 12 Index No.	Tues. Apr. 11 Index No.
1	CAPITAL GOODS (170)	195.39	−0.1	18.19	6.02	7.75	195.64	196.97	200.64	203.81
2	Building Materials (27)	174.74	−1.0	18.70	6.09	7.70	176.56	177.90	182.48	184.49
3	Contracting, Construction (26)	303.20	+0.1	19.02	4.31	7.83	302.98	304.43	312.36	321.59
4	Electricals (15)	413.91	+1.1	16.78	4.28	8.54	409.54	413.63	417.49	428.08
5	Engineering Contractors (14)	283.69	−0.7	17.57	7.13	7.69	285.56	287.46	289.77	292.77
6	Mechanical Engineering (71)	157.01	+0.1	19.70	6.56	6.97	156.89	157.59	161.14	162.42
8	Metals and Metal Forming (17)	156.82	−1.5	16.73	8.84	8.28	159.21	160.20	163.04	165.35
	CONSUMER GOODS									
11	(DURABLE) (52)	180.26	+0.1	18.85	5.25	7.66	180.11	182.10	185.61	188.43
12	Lt. Electronics, Radio TV (15)	210.93	+0.1	16.63	4.05	8.64	210.69	212.12	217.80	221.82
13	Household Goods (12)	163.60	—	17.47	6.89	7.96	163.68	166.47	168.98	170.43
14	Motors and Distributors (25)	114.83	+0.1	22.48	6.67	6.50	114.75	116.58	117.67	119.05
	CONSUMER GOODS									
21	(NON-DURABLE) (176)	189.56	−0.2	16.87	6.13	8.18	189.85	191.59	194.56	198.68
22	Breweries (14)	214.69	−0.9	15.20	6.19	9.97	216.57	216.95	221.27	227.35
23	Wines and Spirits (6)	243.37	−0.1	16.62	5.92	9.13	243.53	244.77	248.19	256.39
24	Entertainment, Catering (17)	241.97	+0.3	14.24	7.04	10.20	241.35	244.01	248.22	254.82
25	Food Manufacturing (22)	184.27	−0.9	22.13	5.85	6.28	185.96	186.22	188.14	192.31
26	Food Retailing (16)	185.76	−0.3	14.80	4.98	9.75	186.22	186.50	190.66	194.72
32	Newspapers, Publishing (13)	328.21	—	12.02	3.90	12.35	328.12	328.16	336.87	341.52
33	Packaging and Paper (15)	123.28	−0.7	21.35	9.61	6.74	124.16	125.03	126.03	128.49
34	Stores (39)	175.60	+0.2	11.16	4.56	13.14	175.30	178.83	181.78	185.14
35	Textiles (25)	166.59	−0.1	22.15	7.99	5.59	166.72	168.72	171.71	173.54
36	Tobaccos (3)	227.69	+0.7	24.28	8.22	4.90	226.10	227.69	230.25	234.79
37	Toys and Games (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	OTHER GROUPS (97)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Pharmaceutical Products (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	Office Equipment (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46	Miscellaneous (55)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (495)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oils (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (100)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	Discount Houses (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	Hire Purchase (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Miscellaneous (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (673)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Mon. Apr. 17	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	[illegible]	[illegible]	[illegible]	[illegible]
2	5-15 years	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Mon. Apr. 17	Fri. Apr. 14
1	Low	5 years	[illegible]	[illegible]
2	Coupons	15 years	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]
4	Medium	5 years	[illegible]	[illegible]
5	Coupons	15 years	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]
7	High	5 years	[illegible]	[illegible]
8	Coupons	15 years	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]

		Monday, April 17: Index No.	Yield %	Friday April 14	Thurs. April 13	Wed. April 12	Tuesday April 11	Monday April 10	Friday April 7	Thurs. April 6
15	20-yr. Red. Deb & Loans (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17	Coml. and Indl. Prefs. (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Redemption yield. [illegible]

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel §	6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co. †	6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	6½%
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce.	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London Mercantile	6½%
Bank of N.S.W.	6½%	E. Manson & Co. Ltd.	8 %
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
Brown Shipley	7½%	Rossminster Accept'es	6½%
Canada Permanent AFI	6½%	Royal Bk. Canada Trust	6½%
Capitol C & C Fin. Ltd.	8½%	Schlesinger Limited	6½%
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
Charterhouse Japhet	6½%	Shenley Trust	9½%
Choulartons	6½%	Standard Chartered	6½%
C. E. Coates	7½%	Trade Dev. Bank	6½%
Consolidated Credits	6½%	Trustee Savings Bank	6½%
Co-operative Bank *	6½%	Twentieth Century Bk.	7½%
Corinthian Securities	6½%	United Bank of Kuwait	6½%
Credit Lyonnais	6½%	Whiteaway Laidlaw	7 %
The Cyprus Popular Bk.	6½%	Williams & Glyn's	6½%
Duncan Lawrie ¶	6½%	Yorkshire Bank	6½%
Eagil Trust	6½%		
English Transcont.	8 %		
First London Secs.	6½%		
First Nat. Fin. Corpn.	8½%		
First Nat. Secs. Ltd.	8 %		
Antony Gibbs	6½%		
Greyhound Guaranty	6½%		
Grindlays Bank ‡	6½%		
Guinness Mahon	6½%		
Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 3%, 1-month deposits 3½%.

† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4½%.

‡ Call deposits over £1,000 3%.

§ Demand deposits 4%.

¶ Rate also applies to Sterling Ind. Secs.

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.
Index Guide as at 11th April, 1978 (Base 100 at 14.1.77.)

Clive Fixed Interest Capital	132.70
Clive Fixed Interest Income	119.86

CORAL INDEX: Close 444-449

INSURANCE BASE RATES

† Property Growth	8 %
† Vanbrugh Guaranteed	7.75%

† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
102⅝	100¾	Treasury 10½pc '78‡‡	100⅝		10.42	7.11
99½	98¾	Exch. 5pc '76-78‡‡	99½		5.04	6.98
105⅛	102⅞	Treasury 11½pc '79‡‡	102⅞		11.17	7.98
97	94¾	Treasury 3pc '79‡‡	95½		3.14	6.35
97⅞	95½	Electric 4½pc '74-79	96½		4.42	7.01
104⅝	101½	Treasury 10½pc '79‡‡	101⅞xd		10.31	9.15
96½	94¾	Electric 3½pc '76-79	95⅝xd	−¼	3.66	6.46
103⅛	98⅛	Treasury 9pc 1980‡‡	99¼		9.07	9.42
102⅝	99⅝	Treasury 9½pc '80‡‡	100⅛xd	+¼	9.49	9.45
95⅛	92⅝	Treasury 3½pc '77-80	92⅝		3.77	7.11
96½	94	Funding 5¼pc '78-80‡‡	94⅝		5.53	7.86
110¼	105½	Exchequer 13pc 1980‡‡	106⅛		12.22	10.15
106¼	102½	Treasury 11½pc 1981‡‡	103		11.16	10.19
91⅝	88⅝	Treasury 3½pc 1979-81	89¼		3.92	7.80
101¼	99	Treasury 9¾pc 1981‡‡	99⅛		9.84	10.09
97⅝	95	Exch. 8¼pc 1981	95		8.68	10.13
100¼	98	Exch. 9½pc 1981	98		9.69	10.22
87⅜	86¼	Exch. 3pc 1981	86⅞		3.45	7.51
96⅞	96⅛	Treas. Variable '81%‡	96¼		6.38	8.68
111	105⅜	Exch. 12¼pc 1981‡‡	106¼		12.00	10.63
99⅞	94⅞	Treas. 8½pc '80-82‡‡	95¼		8.92	10.03
86⅝	83¾	Treasury 3pc '82‡‡	84⅛		3.57	7.87
115⅞	110⅜	Treasury 14pc '82‡‡	110¼		12.70	10.71
96	95⅝	Treas Variable '82%‡	95⅝		7.81	8.74
96⅛	92⅞	Treasury 8¼pc '82	93		8.87	10.33
100¼	95⅜	Exch. 9¼pc 1982	95½		9.69	10.53
96⅞	93⅛	Exch. 8¾pc 1983e	93½		9.36	10.52
85¼	80¾	Exch. 3pc '83	80⅞		3.71	7.81
114¼	105¼	Treasury 12pc 1983‡‡	105⅞		11.39	10.56

Five to Fifteen Years

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
100⅛	95¾	Treasury 9½pc '83	97	+¼	9.77	10.58
89½	84¼	Funding 5½pc '82-84‡‡	84¼	−¼	6.60	9.30
96⅞	92	Treasury 8½pc '84-86‡‡	92¼	−¼	9.45	10.33
87⅝	79	Funding 6½pc '85-87‡‡	79½xd	−¼	8.15	9.95
89⅝	82¼	Treasury 7¾pc '85-88‡‡	84	−¼	9.42	10.71
68⅝	61¾	Transport 3pc '78-88	62½	−¼	4.90	8.84
75⅝	65⅝	Treasury 5pc '86-89	66	+¼	7.58	10.06
115¼	107⅛	Treasury 13pc 1990‡‡	107⅝	+½	12.46	12.28
89⅛	81¼	Treasury 8¼pc '87-90‡‡	82½	−¼	10.35	11.36
106½	98⅛	Treasury 11¾pc 1991	98¾	+½	12.29	12.43
75⅛	65½	Funding 5¾pc '87-91‡‡	65½	+¼	8.82	10.80
112⅛	103¾	Treasury 12¾pc '92‡‡	104¼	+½	12.59	12.54
96½	85½	Treasury 10pc 1992	86¾	+½	11.73	12.23
113	99	Exch. 12¼pc '92	99⅝	+½	12.52	12.57

Over Fifteen Years

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
110⅝	101	Treasury 12½pc '93‡‡	102⅝	+½	12.57	12.58
72½	62¼	Funding 6pc 1993‡‡	62¾	+¼	9.65	11.20
120¼	105⅞	Treasury 13½pc 1993‡‡	105⅞xd	−⅛	12.83	12.68
128⅞	113⅝	Treasury 14½pc '94‡‡	114	+½	12.94	12.70
114¼	100⅝	Exch. 12½pc 1994	100⅞	−⅛	12.63	12.64
89⅞	78	Treasury 9pc '94‡‡	78½xd	+¼	11.36	11.90
106¼	98¼	Treasury 12pc '95	98⅞	−⅛	12.48	12.54
51⅞	44¾	Gas 3pc '90-95	45⅛xd		6.63	9.59
95	85¾	Exch. 10¼pc 1995e	86⅝	+⅛	12.09	12.40
200	99⅝	Treasury 12¾pc '95‡‡	100¼xd	+½	12.60	12.58
90½	76¼	Treasury 9pc '92-96‡‡	78½	−¼	11.59	12.07
131½	116	Treasury 15¼pc '96‡‡	116½xd	+⅛	13.02	12.80
117⅝	103⅛	Exchequer 13¼pc '96‡‡	103½xd	+½	12.68	12.62
50	44½	Redemption 3pc 1986-96	44¼		6.80	9.46
115¼	107	Treasury 13¾pc '97‡‡	107⅜	+⅜	12.71	12.64
98⅛	86½	Exchequer 10½pc 1997	87⅞	+½	12.17	12.39
88¼	76¼	Treasury 8¾pc 1997‡‡	76¾	+¼	11.57	12.01
72¼	61⅝	Treasury 6¾pc '95-98‡‡	61¾xd	−¼	10.89	11.71
135⅛	119¼	Treas. 15½pc '98‡‡	120¼	+⅜	12.98	12.78
90½	82⅝	Treasury 9½pc 1999‡‡	83	+¼	11.79	12.06
96¼	84	Treasury 10½pc 1999	85¼xd	+⅛	12.19	12.37
42½	37⅞	Funding 3½pc '99-04	37⅞		9.47	10.72
80⅞	69¼	Treasury 8pc '02-06‡‡	69½	+¼	11.56	11.76
56⅛	48¾	Treasury 5½pc '08-12‡‡	49⅝	+¼	11.27	11.52
76⅛	68¼	Treasury 7¾pc '12-15‡‡	68½	+¼	11.61	11.69

Undated

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
37⅛	33¼	Consols 4pc	33⅝	+⅛	12.20	—
37⅛	34	War Loan 3½pc‡‡	34½	+⅛	10.55	—
39¼	33	Conv. 3½pc '61 Aft.	35¼	+⅛	9.97	—
28⅝	24⅞	Treasury 3pc '66 Aft.	24½	+⅛	12.30	—
24⅛	21	Consols 2½pc	21⅞	+⅛	11.74	—
24	20¼	Treasury 2½pc	20⅝	+⅛	12.19	—

**INTERNATIONAL BANK

86	83	5pc Stock '77-82	83		6.02	9.90

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 52⅞% (based on $US1.8482 per £)

Conversion factor 0.6558 (0.6605)

CANADIANS

S.E. List Premium 52⅞% (based on $2.1242 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
270	216	Stock Conversn.	222	+4	h2.0	2.4	1.4	46.4
228	172	Sunley (B) Inv.	172		3.95	—	3.5	—
47	31½	Swire Properties	47	+1	Q18½c	ϕ	5.2	ϕ
70	56	Town Centre	58		0.82	2.2	2.2	58.0
17	12	Town & City 10p	12½		0.01	—	—	—
98	82	Trafford Park	89		†3.65	1.4	6.4	16.8
24	19½	U.K. Property	19½		—	—	—	—
282	242	Utd. Real Prop.	246		5.17	1.2	3.2	40.8
148	121	Warner Estate	121		2.66	1.5	3.3	30.7
292	262	Warnford Inv. 20p	270		†4.86	1.6	2.7	34.4
20	14	Webb (Jos) 5p	15		bd0.48	2.5	4.8	12.7
19	16	W'minster P. 20p	16		—	—	—	—
34	30	Winston Ests.	32		1.27	ϕ	6.2	ϕ

SHIPBUILDERS, REPAIRERS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
75	64	Hawthorn L. 50p	70		—	—	—	—
157	129	Swan Hunter £1	130	+1	6.86	1.8	8.0	10.8
181	135	Vosper	148	−4	4.65	ϕ	4.8	ϕ
295	260	Yarrow 50p	260	−10	†4.61	4.7	2.7	8.6

SHIPPING

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
294	252	Brit. & Com. 50p	263	−2	†8.42	4.1	4.8	7.5
200	117	Common Bros. 50p	123		5.81	—	7.2	ϕ
150	112	Fisher (J.)	142xd	−3	1.53	ϕ	1.6	ϕ
348	206	Furness Withy £1	207	−2	†7.43	6.3	5.4	3.7
235	175	Hunting Gibsn. £1	205		20.89	6.7	8.1	2.1
41½	36	Jacobs (J. I.) 20p	38½	−½	1.85	ϕ	7.3	ϕ
39	30	Lon. O'Seas Frtrs.	30½		3.37	3.8	16.8	(1.7)
145	124	Lyle Shipping	125		4.90	ϕ	6.1	ϕ
255	220	Man. Liners 20p	220		5.10	ϕ	3.6	ϕ
20	12½	Mersey Dk. Units	18xR	+¼	—	—	—	0.6
84	67	Milford Docks £1	68		2.72	4.3	6.1	5.4

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
62	46	Tomkinsons	53	−1	3.75	0.9	10.7	15.8
50	44½	Toocal	47½		†2.48	2.6	7.9	7.4
45	31½	Toray Y50	44½	+1	Q10%	1.0	2.5	40.8
32½	27	Trafford Carpets	30		†2.06	1.8	10.4	8.0
62	48	Tricoville 10p	58		1.83	5.5	4.8	5.3
49	42	Vita-Tex 20p	42		3.25	2.2	11.7	6.0
43	34	Yorks. Fine W. 20p	43		1.82	ϕ	6.7	ϕ
59	36	Youghal	41	+1	‡Q8.76	0.8	‡	5.9

TOBACCOS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
310	267	BAT Inds.	294	+3	13.01	3.4	6.7	5.1
269	227	Do. Defd.	253	+2	—	—	—	4.4
380	330	Dunhill (A.) 10p	342	−3	†7.92	6.5	3.5	6.6
81	71½	Imperial	74		5.66	2.0	11.6	5.3
50½	45½	Rothmans 12½p	48	+½	g2.04	9.4	6.4	2.5
66	55	Siemssen Hn. 10p	55		†2.75	3.2	7.6	8.4

TRUSTS, FINANCE, LAND

Investment Trusts

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
52	50	Aberdeen Invs.	52		†2.08	1.1	6.1	23.9
138	118	Aberdeen Trust	125	+2	†5.05	1.1	6.2	24.8
110	95½	Ailsa Inv.	100		†4.12	1.1	6.2	22.8
91	77	Alliance Inv.	83		2.49	1.0	4.5	33.4
220	193	Alliance Trust	207	+5	7.10	1.0	5.2	28.1
124	115	Altifund Inc. 50p	115		†7.31	1.0	9.6	15.4
170	129	Do. Capital 50p	142		†0.36	—	—	—
62½	53	Ambrose Inv. Inc.	53		†4.06	1.1	11.6	12.1
61½	47	Do. Cap.	54		—	—	—	—
45½	37¾	American Trust	41	+1	1.35	1.1	5.0	28.9
96	36	American Tst. 'B'	40	+1	—	—	—	—

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
515	424	Ang. Am. Coal 50c	510		Q60c	3.4	7.0
311	246	Anglo Amer. 10c	308	+2	ϕtQ33c	2.0	6.4
£17¾	£14¼	Ang. Am. Gold R1	£16½	+⅛	Q165c	1.1	6.0
700	621	Ang-Vaal 50c	670	+20	Q105c	3.4	9.5
137	119	Charter Cons.	123	−1	†7.5	1.8	9.4
204	164	Cons. Gold Fields	164xd		†9.05	2.6	8.4
25	18	East Rand Con. 10p	18½		1.05	ϕ	9.1
£16½	£14	Gen. Mining R2	£16	+⅛	Q225c	ϕ	8.4
£12½	£11	Gold Fields S.A. 25c	£11¾	−¼	Q110c	1.2	5.6
£13¼	£10	Jo'burg Cons. R2	£11⅞	+¼	Q170c	2.2	8.6
180	140	Middle Wit 25c	148		Q22½c	1.3	9.1
152	126	Minorco SBD1.40	152	+5	Q12c	1.4	4.4
122	97	New Wit 50c	107		Q15c	0.6	8.4
£11½	860	Patino NV Fls.5	£11½	+⅛	QC50c	ϕ	2.6
58	50	Rand London 15c	50		tQ10c	3.0	11.9
410	375	Selection Trust	404	+2	16.72	1.8	6.4
210	161	Sentrust 10c	197	+2	†Q28c	1.1	8.5
39	29	Silvermines 2½p	39	+3	2.5	ϕ	9.7
£13	£11	T'vaal Cons Ld. R1	£13	+¼	Q95c	3.4	4.4
232	182	U.C. Invest R1	220		Q30c	1.2	8.1
292	238	Union Corpn. 6.25c	282	+2	Q38c	1.6	8.0
53	40	Vogels 2½c	46	+1	Q7½c	1.0	9.7

DIAMOND AND PLATINUM

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
£37¾	£30	Anglo-Am. Inv. 50c	£35¼	+1	Q600c	ϕ	10.2
90	64	Bishopsgate Pt. 10c	71	+2	Q7.1c	ϕ	6.0
354	285	De Beers Df. 5c	333	+8	Q52.5c	2.4	9.4
£11½	925	Do. 40pc Pf. R5	£11½	+¼	Q200c	13.9	10.4
74	54	Lydenburg 12½c	59	+1	‡Q2.7c	1.0	‡
98	71	Rus. Plat. 10c	74	+1	‡Q2½c	1.4	‡

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
210	155	Falcon Rh.50c	175		Q50c	1.3	24.4
24	17	Rhod'n Corp. 16⅓p	19xd		0.56	ϕ	4.5
73	52	Roan Cons. K4	68	+3	—	—	—
137	122	Tanganyika 50p	128		Q11.0	1.1	8.6
80	78	Do. Pref. 80p	80		Q9%	16.4	9.0
41	32	Wankie Col. Rh.1	37xd	+½	†Q7½c	1.4	17.3
12½	10	Zam. Cpr. SBD0.24	11½	+½	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
12	10	Acmex 25c	10		—	—	—
107	64	Bougainville 50 Toea	107	+5	Q8c	1.4	4.7
78	63	BH South 50c	78	+2	—	—	—
210	148	Conzinc Riotinto 50c	210	+3	Q10c	2.2	3.0
72	52	G.M. Kalgoorlie $1	63	+7	—	—	—
99	81	Hampton Areas 5p	99	+1	1.45	4.1	2.2
17	10	Metals Ex. 50c	16	+2	—	—	—
187	125	M.I.M. Hldgs. 50c	187	+9	Q9c	1.7	3.0
24	10	Mount Lyell 25c	24	+1	—	—	—
2½	1½	Newmetal 10c	2		—	—	—
111	79	North B. Hill 50c	111	+5	Q8c	1.5	4.5
11½	8½	Nth. Kalgurli	10½		—	—	—
156	117	Oakbridge SA1	156	+3	†Q11c	1.9	4.4
40	30	Pacific Copper	40	+2	—	—	—
£10⅛	750	Pancont'l 25c	£10⅛	+⅛	—	—	—
18½	12	Paringa M&Ex. 5p	15	−½	—	—	—
470	310	Peko-Wallsend 50c	470	+23	Q15c	4.8	2.0
122	84	Westn. Mining 50c	122	+6	Q6c	1.4	3.0
50	35	Whim Creek 20c	45	+5	—	—	—

TINS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
30	24	Amal. Nigeria	25	+1	†2.51	1.6	15.2
290	240	Ayer Hitam SM1	290		‡Q116.7c	0.9	‡
55	45	Beralt Tin	53		3.75	2.3	10.7
240	200	Berjuntai SM1	240	+2	‡Q110c	ϕ	‡
128	111	Geevor	128		18.05	3.4	21.4
10	8½	Gold & Base 12½p	9½		—	—	—
270	220	Gopeng Cons.	220xd	−1½	15.0	0.9	10.3
150	130	Hongkong	147		—	—	—
93	78	Idris 10p	78xd	−½	7.5	ϕ	14.6
11	10	Jantar 12½p	11		—	—	—
73	68	Kamunting SM0.50	68		ZQ15.5c	0.7	4.9
450	450	Killinghall	450		Q125	ϕ	27.8
320	280	Malay Dredging SM1	290	+5	†Q95c	0.8	7.0
50	40	♦Pahang	50		†Q2.5	0.5	5.0
58	50	Pengkalen 10p	50		6.5	1.3	19.7
190	165	Petaling SM1	177	+2	mQ17½c	10.9	1.5
61	49	Saint Piran	52	+1	g1.99	4.6	5.8
61	47	South Crofty 10p	51		b4.13	1.5	12.3
180	140	South Kinta SM0.50	140		‡Q77.8c	1.4	11.9
280	230	Sthn. Malayan SM1	230		‡Q131.3c	1.1	12.3
170	134	Sungei Besi SM1	170	+2	—	—	—
68	55	Supreme Corp. SM1	66		ZQ10c	—	3.3
100	87	Tanjong 15p	87xd	+1	4.5	ϕ	7.8
90	74	Tongkah Hrbr. SM1	85		Q6.87%	1.6	14.4
180	148	Tronoh SM1	175		ZQ88c	ϕ	10.8

COPPER

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
96	70	Messina R0.50	86	+4	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
9	9	Burma Mines 17½p	9		—	—	—
300	220	Cons. Murch. 10c	250	+10	Q30c	2.6	7.2
325	245	Northgate C$1	315	+5	—	—	—
202	164	R.T.Z.	196	+6	9.5	ϕ	7.6
46½	30	Sabina Inds. C$1	31		—	—	—
950	750	Tara Expln. $1	850	+32	—	—	—
45	43	Tehidy Minerals 10p	43		1.21	2.5	4.3
156	120	Yukon Cons. C$1	156	+2	Q7c	ϕ	2.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♦ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 36

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	23	
Ash Spinning	45	
Bertam	24	
Bdg'wtr. Est. 50p	266	−4
Clover Croft	22	
Craig & Rose £1	410	
Dyson (R. A.) A	41	
Ellis & McHdy.	65	
Evans Fr'k. 10p	57	
Evered	15¼	
Fife Forge	47	
Finlay Pkg. 5p	20	
Graig Ship. £1	150	
Higsons Brew.	80	
I.O.M. Stm. £1	145	
Holt (Jos.) 25p	250	
N'thn. Goldsmith	53	
Pearce (C. H.)	129	
Peel Mills	18½	
Sheffield Brick	46	
Shef. Refrshmt.	51	
Sindall (Wm.)	85	

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£93¾	
Alliance Gas	65	
Arnott	290	
Carroll (P.J.)	90	
Clondalkin	91	
Concrete Prods.	128	
Heiton (Hldgs.)	43	
Ins. Corp.	190xd	+2½
Irish Ropes	132	
Jacob	65xd	+2½
Sunbeam	29	
T.M.G.	175	
Unidare	95	

OPTIONS

3-month Call Rates

Industrials

Stock	Rate	Stock	Rate
A. Brew	6½	I.C.I.	23
A.P. Cement	18	"Imps"	7
B.S.R.	9	I.C.L.	20
Babcock	10	Inveresk	7
Barclays Bank	25	KCA	5
Beecham	38	Ladbroke	17
Boots Drug	15	Legal & Gen.	14
Bowaters	16	Lex Service	7
B.A.T.	24	Lloyds Bank	22
British Oxygen	6	"Lofs"	5
Brown (J.)	20	London Brick	5
Burton 'A'	13	Lonrho	7
Cadburys	5	Lucas Inds.	25
Courtaulds	10	Lyons (J.)	13
Debenhams	10	"Mams"	7
Distillers	13	Mrks. & Spncr	11
Dunlop	8½	Midland Bank	25
Eagle Star	11	N.E.I.	20
E.M.I.	18	Nat West Bank	22
Gen. Accident	17	Do. Warrants	10
Gen. Electric	18	P & O Dfd.	10
Glaxo	40	Plessey	9
Grand Met	9	R.H.M.	5
G.U.S. 'A'	18	Rank Org. 'A'	18
Guardian	18	Reed Intl.	14
G.K.N.	22	Spillers	4
Hawker Sidd.	20	Tesco	4
House of Fraser	12	Thorn	22
		Trust Houses	15
		Tube Invest.	30
		Unilever	40
		Utd. Drapery	7½
		Vickers	15
		Woolworths	6

Property

Stock	Rate
Brit. Land	3¾
Cap. Counties	5
E.P.	5
Intereuropean	4
Land Secs.	18
MEPC	12½
Peachey	10
Samuel Props.	10
Town & City	2

Oils

Stock	Rate
Brit. Petroleum	35
Burmah Oil	7
Charterhall	3½
Shell	28
Ultramar	22

Mines

Stock	Rate
Charter Cons.	12
Cons. Gold	20
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Tuesday April 18 1978

Japan has record surplus as import growth slows

BY CHARLES SMITH, FAR EAST EDITOR — TOKYO, April 17.

JAPAN REGISTERED a current account surplus of $14.13bn. during its 1977 fiscal year, ended last month, the Government announced to-day.

The surplus was by far Japan's largest ever, and made nonsense of a series of earlier forecasts.

The official Japanese Government projection for fiscal 1977, issued in December 1976, foresaw a $700m. deficit on current account for the fiscal year.

Last September, this estimate was revised to a surplus of $6.5bn. and subsequently to one of $10bn.

The unusual performance of Japan's balance of payments during fiscal 1977 arose mainly from the failure of imports to rise at anything like the rate originally expected.

Imports for the year came to $62.6bn., up 8 per cent. on the previous year (whereas in 1976 *imports had risen by 16 per cent.*).

Exports, by contrast, rose by 20 per cent. to reach $83.2bn. Japan's visible trade surplus thus amounted to $20.57bn. A deficit on invisibles of $6.4bn. brought the current account surplus down to $14bn.

Japan increased its long-term capital exports in fiscal 1977 to $2.4bn., up from $1.6bn. in fiscal 1976.

Allowing for a small inward movement of short-term capital, this resulted in an overall balance-of-payments surplus of $12.1bn., again by far the largest in Japanese history.

Figures for March, also released to-day, show exports in dollar terms up 22 per cent. on the same month of last year at $8.6bn.

Realistic

Imports were unchanged from the level of a year ago at $5.5bn. The resulting $3.1bn. visible trade surplus was a record for any month to date.

On a seasonally-adjusted basis, exports in March grew marginally *from the previous month* (by 0.2 per cent.), while imports fell 4.8 per cent.

In yen terms (regarded by the Finance Ministry as a more realistic basis for calculation after the decline of the dollar) exports were up 1 per cent. in March compared with a year ago, while imports were down 17 per cent.

Japan's foreign exchange reserves grew by almost $5bn., during March to reach $29.2bn.

This increase reflects large dollar purchases by the Bank of Japan during the month as the bank intervened in the Tokyo foreign exchange market in an attempt to slow appreciation of yen exchange rate.

The 1977 balance of payments figures were calmly received by traders on the Tokyo foreign exchange market. They had evidently discounted them well in advance.

The size of the surplus provides a background for the latest round of official attempts to restore balance in the new fiscal year by restraining Japanese exports.

Under the proposed programme, the Ministry of International Trade and Industry is to issue guidance to exporters of cars, TV sets, steel and ships to hold overseas sales volumes to below 1976 levels.

Exports

The trouble with this proposal is that exports of all four items except cars are, anyway, expected to fall somewhat in 1978. The Ministry has apparently not yet decided what to do about fast-growing export items.

Reuter adds: The Japanese steel industry is studying possible purchases of coking coal and iron ore mining rights abroad, with loans from Japan's foreign exchange reserves, Nippon Steel Corporation said.

The plan was originally suggested by the Ministry of International Trade and Industry to the steel industry to help trim Japan's current account surplus.

The economic daily Nihon Keizai Shimbun said that the industry will shortly start talks with Australia, Canada, Brazil and other countries.

Payment to former CU chief attacked

By John Moore

A STRONG ATTACK was made by the Commercial Union Staff Association yesterday on Commercial Union Board's proposed £100,000 payment to Mr. Gordon Dunlop, the group's chief executive who resigned last year because of policy differences.

The packed annual meeting went smoothly until Sir Francis Sandilands, chairman of Commercial Union, moved a resolution that the sum of £100,000 be paid to Mr. N. G. E. Dunlop "an ex gratia payment for his loss of office as chief general manager and director."

This prompted on outspoken attack from Mr. John Smith, general secretary of the 5,000-strong Commercial Union Staff Association, who said that in 1976 Mr. Dunlop's earnings were almost £55,000.

"He has already been paid more than his due, for the company's history will surely label him as a major disaster on which there is no reinsurance cover. The very fact that he was kept on the payroll for almost a year after his resignation is more than generous treatment."

'Old boys'

Mr. Smith concluded that the payment was "quite preposterous. It smacks of the Old Boys act in the Boardroom. It can do nothing but damage good industrial relations in the company and the recommendation that he should receive another penny of the shareholders' funds is quite unacceptable and immoral. We shall vote against the resolution and ask that all those who share our sense of outrage will do the same."

Sir Francis then said that Mr. Dunlop had lost a well-paid job and stressed that it would not be easy for him to find a similar one.

"The recommendation has been made in good conscience. Although there had been no clearly defined legal obligation because there is no service agreement, we felt we had an obligation to him. He had served five years as general manager."

After Sir Francis indicated that he had received over 88m. proxy votes in favour of the resolution, and 4.4m. against it, the resolution was put to the vote.

However, a show of hands did not produce a clear result and the resolution was put to a ballot which was expected to be a formality.

THE LEX COLUMN

A buying panic on Wall Street

Wall Street has seen odd bursts of trading volume associated with a rising index over the past two months, but nothing on the scale of the past two days. Yesterday, a slack day's trading was completed in the first hour—a record 17.5m. shares transacted — while the Dow put on 18 points by mid-day.

The institutional enthusiasm that fuelled the 20-point rise on Friday has now infected investors abroad. The price of gold fell $4 yesterday to $174¼. Our own dollar premium shot up from an effective 48½ per cent. to 54 per cent.—roughly twice its January low.

Meanwhile, the dollar and the price of U.S. securities have mutually reinforced one another. The yen was as low yesterday as 221¼ to the dollar after 219¼ on Friday — an extraordinary development after Japan's announcement during the week-end of another record trade surplus in March.

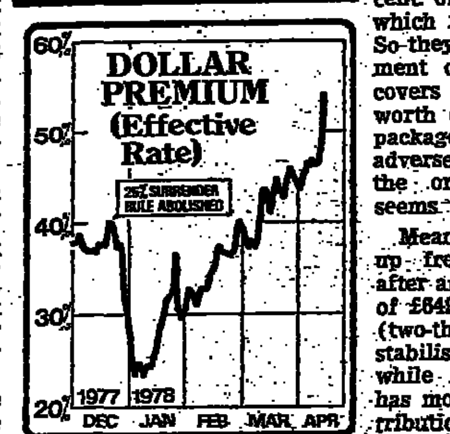
Block traders on Wall Street attribute this upsurge to no particular change in the news background. They tell of highly liquid institutions nervously queuing to get back into blue chip securities. So great was the order of imbalance for IBM, for instance, that this share had not opened for trading at mid-day.

One piece of news that may have triggered this self-fuelling upsurge was last Thursday's money-supply figures. Not for the first time in recent weeks, well-respected economists had been predicting an increase in M1 of several billions of dollars. The actual rise was just $400m., and the scale of this error may have suggested that professional pessimism was bordering on the absurd.

Royal Dutch/Shell

Royal Dutch/Shell is once again being acutely embarrassed by the behaviour of sterling, the dive in the rate in the latter part of March having peculiar effects on earnings as measured by the erratic FAS 8 currency translation method. The last time this happened on a big scale was in the third quarter of 1976, when underlying net income of £363m. was heavily eaten into by the FAS deduction of £178m. There could be an even worse impact on the figures for January-March, 1978, for the FAS 8 charge is likely to be between £200m. and

Index fell 0.7 to 446.7



£300m. while analysts are not expecting underlying net income to be much more than £350m. or so, and it could be less. Hence Shell's decision to rush out an early-warning yesterday.

Accounting buffs may read on: FAS 8 sets out a monetary/non-monetary translation method, all differences to appear in the income account. Monetary liabilities are converted at end-period rates, leading to a sharp rise in Shell's case in March, but stocks (among other physical assets) are converted at the historical costs of acquisition, which on average reflect exchange rates early in a quarter. A sharp fall in sterling near the end of a quarter therefore squeezes reported net income.

Rugby Portland

Rugby Portland is proposing to reorganise its archaic capital structure, to eliminate two main conflicts of interest. These arise from the fact that in the present equity base participating non-voting shares account for nearly a quarter of the market capitalisation and are entitled to an eighth of pre-tax profits.

The first is that the pay-out ratio on the participating has nearly always been much higher than on the ordinary. The second is that if Rugby were to use its ordinary shares in a takeover bid, the participating would still be entitled to the same proportion of the larger pool of earnings.

So they are to be swapped for new ordinary shares, on a formula based on recent market prices. That leaves the participating holders with an inc shortfall, even after a Trea approved increase of 12 cent. on the ordinary divi which is forecast for this y So they are to get a special ment of 2p per share w covers roughly three y worth of the income gap. package may have a mod adverse impact on earning the ordinary, but the seems well worth paying.

Meanwhile, pre-tax profit up from £12.5m. to £1 after an extra pension prov of £649,000. Profits in the (two-thirds of the total) stabilised in the second while the Australian bus has more than doubled its tribution. Its prospects been underpinned by a ne year contract with Alcoa, which an extra 350,000 to of lime capacity is under struction. Ahead of what be a reasonably good year shares at 70p are on a p 7¼ and yield 8½ per cent the basis of the 1978 foreca

Morgan Grenfell

Morgan Grenfell's rights issue — its second four years — shows wha topsy turvy world we live Since it is an unquoted pany owned mainly by a or so institutions it is better placed than its pu quoted rivals to raise mo No wonder the merchant b cannot find any customer flotation.

Quoted accepting houses capitalised in the market at below their published worth (let alone their shareholders' funds inc hidden reserves). Schroders instance, is worth £29m. market against net worth £45m. A further discount w apply if such banks under rights issues. Yet here is unquoted Morgan raising m at no discount to disclosed worth. Moreover the yield the Ordinary shares is only per cent. When Hill Sam brought in two new out shareholders in January the least were offered a yield over 6 per cent. on their inv ment.

The moral of this tale se to be that quoted mer banks should arrange t taken over by a handful o stitutions. Then they wou longer have to worry abo verdict of the market pla

Currency initiative backed by Jenkins

By David Freud

MR. ROY JENKINS, president of the EEC Commission, last night put his support behind the West German initiative toward greater European currency stability, launched at the Copenhagen summit a week ago.

He told a European League for Economic Co-operation dinner in London that he hoped the July EEC summit in Bremen would agree on a common programme.

This would be a step towards the goal of economic and monetary union (EMU) which he has been advocating since the autumn.

He supported three specific policy suggestions made by Herr Helmut Schmidt, the West German Chancellor.

The first was to extend the Community exchange rate system beyond the snake: the second to use the European Unit of Account for internal EEC exchange rate credit and settlement; and the third to increase the functions and resources of the European Monetary Co-operation Fund.

These were necessary "in the judgment of the Commission" to achieve greater exchange rate stability among EEC currencies, Mr. Jenkins said.

Economic and monetary union was essential. "Given the existing interdependence of the European economy, a break-out from the strait jacket of nationalist monetary policy could . . . set and maintain a common high standard of price stability, provided it were based on a well-prepared currency reform."

Adoption of EMU would provide stronger internal monetary disciplines tied to more relaxed external constraints.

"There is still, in Britain, too great a tendency to concentrate attention on the minor issues and to dodge political debate on the major ones.

"The Community is, in part, a recognition that the economic conditions of co-existence in the late twentieth century are such that the scope and effect of decisions cannot be limited to a narrow national area."

Editorial comment Page 20

EEC puts off trade talks after Australian threats

BY DAVID BUCHAN — BRUSSELS, April 17.

NETTLED BY what it sees as Prime Minister Malcolm Fraser's use of threat and bluster, the EEC Commission has postponed bilateral trade talks with Australia until early June.

Foreign Ministers of the Nine meeting on June 6 would be asked to consider "the new situation" in the increasingly bad tempered relations between Brussels and Canberra, EEC officials said to-day.

The talks, originally due next month, have been postponed because of Australian threats to take reprisals against EEC exports and potential contracts if bilateral negotiations do not produce results.

The threat, made on April 6, hinted that action might be taken on brandy and cheese imports from Europe and also that *EEC companies might be* excluded from Australian transport and defence equipment contracts.

The EEC was further irritated by Mr. Fraser's speech last Friday in which he referred to the Community as a "narrow self-interested trade group trying to make the world dance to its tune."

Sir Roy Denman, the EEC external affairs director, called in the Australian Ambassador to the EEC later the same day to express his "surprise and concern" at the Premier's remarks.

EEC officials to-day rejected the nub of Mr. Fraser's complaint that the Commission was delaying the bilateral talks so as to envelope them in the present Tokyo round of the multilateral trade talks.

It had been formally recognised by the Commission, and by Mr. Fraser when he came to Brussels in June 1977, that there were limits within which positive results in the trade field could be achieved bilaterally and that neither wished to give rise to unreasonable expectations.

In particular, Community barriers to Australian commodities and EEC-subsidised agricultural exports to traditional Australian markets in third countries were cited as examples of issues that could be settled only in the forum of the General Agreement on Tariffs and Trade talks.

EEC officials to-day urged Australia to await the first results of the GATT negotiations, planned for July.

The Canberra Government, however, is said to be doubtful that an outline GATT agreement in July will speedily remedy a situation in which its food exports to the Community have fallen by 80 per cent. in four years.

Its impatience with the Commission was already evident last year, when it tied the issue of better access for Australian beef with possible EEC access to Australian uranium.

Fraser to Japan, Page 4

Accounting method may distort Shell first quarter results

BY RAY DAFTER, ENERGY CORRESPONDENT

ROYAL DUTCH SHELL has warned shareholders that currency movements could have cost the company between £200m. and £300m. in the first quarter, due to a quirk of accounting procedures.

This notional loss compares sharply with the £46m. currency gain in the fourth quarter of last year and the £37m. loss for the year as a whole in 1977.

Shell is not due to report the first quarter's figures until next month but it said yesterday that it was forewarning shareholders to be "especially cautious" about interpreting results which included currency translation effects.

Much of the problem stemmed from the movement of sterling against other currencies and the way that this was interpreted for the purpose of U.S. accounting standard FAS 8. "Compliance by the group with this standard, which is a consequence of the listing of its parent company's shares in the U.S., constitutes a major obstacle to the understanding of underlying business trends," Shell commented.

The policy resulted in major distortions on a short-term basis that were "totally inappropriate" to an international group which had borrowings, revenues and assets in a variety of currencies.

Experience

Shell, which reported a net income of £1.3bn. on a revenue of £23.96bn. last year, said it hoped that the FAS 8 accounting method would be amended "in the light of experience and of widespread dissatisfaction."

It added that the haphazard impact of the method could be illustrated by the fact that had the calculations for the first quarter's results been made one week earlier, the currency translation losses would have been some £100m. lower.

Under FAS 8 rules Shell's *stocks and* fixed assets must be translated into sterling at the exchange rate applying when they were acquired while monetary assets and liabilities are translated at the end of each accounting period.

For instance, if sterling falls towards the end of a quarter, the translation of the long-term debt will reflect the full effect of the drop while the oil stocks will reflect only small part of the fall. Up to now, the effects on stocks sold and on monetary items have to some extent offset each other in Shell's case.

Shell said, however, that the rates used for the translation of stocks and monetary items in the first quarter of this year moved sharply in opposite directions.

Because of the strengthening of sterling towards the end of 1977, the average value of sterling during the first quarter of this year was higher than the average during the fourth quarter of 1977.

But due to the sharp decline in the value of sterling at the *very end of the first quarter*, sterling finished at a much lower level than on December 31.

Shell/Esso pipeline plan Page 6
Shell Chemicals running at loss Page 6

Morgan Grenfell £8.2m. rights issue

By Michael Blanden

MORGAN GRENFELL, one of the leading London merchant banks, is raising some £8.2m. from its shareholders to support its continued expansion.

The greater part of the money involved in the rights issue will be provided by the group's two major shareholders, J. P. Morgan Overseas Capital Corporation and Willis Faber.

J. P. Morgan, the New York banking group which owns a third of the Morgan Grenfell capital, and Willis Faber, the *insurance broking group* with 22 per cent., have indicated their support for the issue.

Other shareholders have indicated that they will apply for about 24 per cent., so that the issue is nearly 80 per cent. covered.

The issue will bring the Prudential Assurance in as a significant shareholder in the merchant bank. The Pru is one of three investment institutions which have recently become shareholders and have agreed to apply for enough shares to take up any balance of the issue.

As a result the Pru will hold about 3½ per cent. of the group's shares. The bank said that since its last issue in 1974 its balance sheet footings had grown from £447m. to £863m.

Morgan Grenfell announced that its profits rose sharply last year from £2.85m. to £5.45m. after tax and transfers to inner reserves in exceptionally favourable circumstances.

The bank has changed its accounting policies to raise the proportion of its real profits, which are disclosed, and has also revealed its true profit figures to its small number of shareholders.

The new issue is made on the basis of one new share for every four already held. The shareholders are being offered a choice of subscribing in Ordinary shares at 275p each, or in "A" shares, which carry certain dividend advantages, at 300p each.

The issue will raise the company's total disclosed shareholders' funds to about £40m.

Company reports Page 24

Weather

U.K. TO-DAY

CLOUD AND RAIN over central and western districts will spread to eastern areas.

London, Southern, S.E., N.W. and North England, the Midlands, Lakes, S.W. Scotland, the Highlands
Cloudy with occasional rain. Max. 12C (54F).

E. Anglia, East and N.E. England, Borders, E. Scotland
Cloudy with occasional rain. Wind moderate. Max. 12C (54F).

S.W. England, Channel Isles, Wales, Isle of Man, Ulster
Cloudy occasional rain, sunny intervals later. Wind light or moderate. Max. 12C (54F).

North Scotland, Orkney, Shetland
Mostly cloudy, occasional rain. Max. 10C (50F).

Outlook: Unsettled.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amstrdm.	F	8	46	Madrid	C	18	64
Athens	S	17	63	Manchstr.	F	12	54
Bahrain	C	29	84	Melbourne	S	19	66
Barcelona	S	15	59	Mexico C.	S	24	75
Beirut	C	19	66	Milan	C	11	52
Belfast	C	9	48	Montreal	C	10	50
Belgrade	C	5	41	Moscow	F	14	57
Berlin	F	10	50	Munich	C	3	37
Birmghm.	C	11	52	Newcastle	C	11	52
Bristol	S	11	52	New York	C	11	52
Brussels	F	9	48	Oslo	C	8	46
Budapest	C	7	45	Paris	F	9	48
B. Aires	S	26	79	Perth	S	24	75
Cairo	S	29	84	Prague	F	8	46
Cardiff	S	11	52	Reykjavik	F	10	50
Chicago	C	9	48	Rio de J'o	S	30	86
Cologne	C	5	41	Rome	F	14	57
Copnhagn.	F	9	48	Singapore	S	31	88
Dublin	C	8	46	Stockholm	S	9	48
Edinburgh	F	13	55	Strasbrg.	C	8	46
Frankfurt	F	8	46	Sydney	S	21	70
Geneva	F	8	46	Tehran	R	18	64
Glasgow	F	12	54	Tel Aviv	S	21	70
Helsinki	F	8	46	Tokyo	C	16	61
H. Kong	C	21	70	Toronto	S	6	43
Jo'burg	S	24	75	Vienna	F	5	41
Lisbon	C	17	63	Warsaw	R	2	36
London	F	12	54	Zurich	F	6	43
Luxemb'g	F	7	45				

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	C	13	55	Las Plms.	C	21	70
Algiers	C	20	68	Locarno	C	11	52
Biarritz	F	15	59	Majorca	F	16	61
Blackpool	F	14	57	Malaga	F	23	73
Bordeaux	S	13	55	Malta	F	16	61
Casablanca	S	17	63	Nairobi	R	22	72
Cape Town	S	20	68	Naples	S	15	59
Corfu	F	14	57	Nice	F	15	59
Dubrovnik	S	12	54	Nicosia	C	19	66
Faro	C	20	68	Oporto	C	14	57
Funchal	F	21	70	Rhodes	F	16	61
Gibraltar	F	19	66	Salzburg	F	6	43
Guernsey	F	9	48	Tangier	F	19	66
Innsbruck	C	6	43	Tenerife	F	16	61
Inverness	C	9	48	Tunis	F	17	63
I. of Man	F	9	48	Valencia	C	21	70
Istanbul	R	11	52	Venice	C	10	50

Germans may buy steel plant

BY JOHN LLOYD AND CHRISTIAN TYLER

THE WEST GERMAN steel and tool manufacturer, Korf-Stahl, was said by union and other sources yesterday to be interested in making an offer for the British Steel Corporation's Glengarnock works in Scotland, due for closure under the new BSC strategy.

The company, a pioneer in development of "mini" steel mills, is installing the direct reduction plant at BSC's Hunterston works, nine miles from Glengarnock. Hunterston, officially said to be coming on-stream later this year, will produce iron pellets for use in electric arc furnaces.

Union officials leading the fight to prevent closure of iron and steel-making at Shelton, Stoke-on-Trent, said yesterday they knew of a number of British and foreign companies interested in buying the plant.

They would give no names, but said one foreign company was West German. Another had assets of $35bn. At least two British private steelmakers had shown interest.

Both BSC and the Government have been asked by Mr. Bob Cant, Labour MP for Stoke Central, if they would permit the plant's sale to a private buyer if the unions fail to persuade the Corporation to instal an electric arc furnace.

If that investment were withheld, as recommended by the recent steel White Paper, and steelmaking ends then about 1,500 jobs would be lost. The Shelton rolling mills are to stay open.

Sir Charles Villiers, chairman of BSC, said in Germany at the week-end that the Corporation would be ready to sell old plant provided it was used for new purposes and not for continued steel production, since this would be prejudicial to BSC interests.

Earlier last week, in a letter to Mr. Patrick McNair-Wilson, Conservative MP for the New Forest, Sir Charles said that the Corporation would be ready to discuss sales in principle, adding only that the age of the plant made them a difficult prospect for modern, profitable steel-making.

He did not say then that they must not be used to make steel.

Mr. Ted Smith, a member of the Shelton action committee, said yesterday that despite BSC's official denial the sale of Shelton would be contemplated, they would wait for Sir Charles Villiers' own reply to Mr. Cant.

He pointed out that Mr. Bill Sirs, TUC Steel Committee chairman, had pledged national union support yesterday for the workers' fight against closure. They had already had support from Mr. Bob Harrison, a national secretary of the Transport and General Workers' Union.

Shelton's detailed reply to the White Paper will be studied to-morrow, when a Labour Party Steel Sub-Committee is due to meet Sir Charles and Mr. Bob Scholey, BSC chief executive.

The Government and BSC are being pressed by Mr. Teddy Taylor, the Shadow Scottish Secretary, to clarify their position on the sale of redundant mills *in* a Parliamentary question for answer to-day by Mr. Eric Varley, Industry Secretary.

£30m. Sheffield plant, Page 6

Continued from Page 1

Retail

sumers adjust their pattern of spending to the expected higher level of real income. On this basis, the Treasury has forecast a 5 per cent. rise in the level of consumer spending this year.

But a fall of, say, one point in the savings ratio would make a big difference, resulting in even more buoyant spending and drawing in even more imports of manufactured goods, so reducing the current account surplus.

The projected upturn in spending is expected to result in a particularly sharp rise in sales of durable goods shops and of mail order businesses.

However, the concentration of tax cuts on the low paid may mean that spending on food and drink and clothing will rise by more than previously assumed.

Reports from the trade suggest sales of durable goods may have fallen slightly in March after the sharp rise during the extended special sales periods of the winter.

Between December and February, sales of durables were 6.5 per cent. higher in real terms than in the previous three months.

This trend, coupled with the steady rise in new instalment credit and in car sales in recent months, suggests that the underlying level of consumer confidence has already recovered.

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